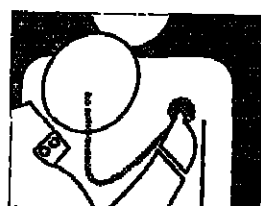


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Better late than never
Palestinians put an
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Renewable energy
What happens when
oil and gas run out?
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FINANCIAL TIMES

Europe's business newspaper

WEDNESDAY SEPTEMBER 15 1993

DBE23A

Lufthansa Airbus crashes in flames at Warsaw airport



A German Lufthansa A330 Airbus crashed on landing in heavy rain in Warsaw and burst into flames. There were conflicting reports of casualties. Lufthansa said all 64 passengers and six crew on the flight from Frankfurt had survived, but Warsaw's fire brigade reported that up to 40 people were missing and may have been killed.

Clinton backs Maffa: The White House produced an extraordinary display of bipartisanship, pageantry and salesmanship which laid to rest any doubts about President Bill Clinton's commitment to congressional passage of a North American Free Trade Agreement. Page 18

Lafarge Coppée: French company that is one of the world's largest building materials groups, is seeking to capitalise on the strength of international stock markets through a share issue worth about FF2.5bn (\$446m). Page 19; Lex, Page 18

Approval nearer for steel plant: The European Commission will ask EC industry ministers to give outline approval to a politically sensitive restructuring package for the Spanish steel industry next week. But the Commission conceded that progress of the EC's overall rescue plan would be held up until Italy and Germany had agreed acceptable restructuring plans. The Commission now expects final agreement in November.

Tourist killed: Holidaymakers are cancelling trips to Florida, after the murder of a British tourist, in the latest attack on foreign visitors to the US state. Page 18

State of emergency called: Georgia's parliament unanimously voted to introduce a state of emergency for two months from midnight on Monday. The introduction of a state of emergency was one of two conditions under which Georgian leader Eduard Shevardnadze agreed to withdraw his resignation, tendered to deputies earlier in the day. The other was the suspension of parliament. Earlier story, Page 2

French move to block film imports: France stepped up the campaign to prevent what it sees as an American attempt to use the Gatt world trade negotiations to swamp Europe with Hollywood films. Page 18

Olympic bid threatened: Beijing's credibility as a contender to host the Olympic Games in the year 2000 seemed undermined as much of the world athletics community cast doubt on the validity of a series of astonishing results by female Chinese athletes. Page 5

Seat, Spanish subsidiary of the Volkswagen group which has just agreed a P120bn (\$941m) rescue package, warned that it expected to suffer a loss of around P100bn this year. Page 19

Optimism on US economy: The US economy may be gathering momentum after a lacklustre first half, with consumer prices rising 0.3 per cent between July and August, the biggest increase since the spring. Page 6

Banker warns EC: Pro-European feeling in Germany could be at risk if the European Community persists in treating the integration of the former GDR as a purely German problem, said Dresden Bank chairman Jürgen Sartorius. Page 3

Dietrich memorabilia bought: The family of actress Marlene Dietrich, who died last year, has sold almost 100,000 of her possessions to the city of Berlin for around \$8m, to form the centrepiece of a film museum to be built in the city.

Russia plans gold sale: The Russian government plans to sell Rb1,000bn (\$904m) worth of gold to Russian commercial banks as part of the Finance Ministry's battle to bring the gaping budget deficit under control, Sergei Alexashenko, deputy finance minister, said. Page 3

Kasparov wins again: Reigning champion Garry Kasparov beat UK challenger Nigel Short in the fourth game of the London world chess championship and now leads the 24-game series by 3½ points to ½ a point.

STOCK MARKET INDICES			
FT-SE 100	3028.0	(+3.2)	
Yield	3.87		
FT-SE Euroshare 100	1278.94	(+3.30)	
FT-AE Share	1885.10	(+0.06)	
Nikkei	20,947.78	(-200.32)	
New York: last trading			
Dow Jones Ind Ave	3812.00	(-21.52)	
S&P Composite	468.86	(-3.20)	
US LUNCHTIME RATES			
Federal Funds	3%		
3-mo Treas Bill: Yld	3.034%		
Long Bond	104½		
Yield	5.846%		
LONDON MONEY			
3-mo Interbank	5½%	(5.5%)	
Life (avg) bill future: Sep 11/13 (Sep 11/13)			
FT NORTH SEA OIL (Avg)			
15-day Oct	\$15.8	(15.73%)	
Gold			
New York Comex Dec	\$346.8	(344.8)	
London	\$346.25	(344.25)	

Australia	S&P 500	Germany	FT-SE 100	Italy	FT-SE 100	Japan	Nikkei	UK	FT-SE 100
Belgium	D11.25	France	FT-SE 100	Greece	FT-SE 100	Hong Kong	HK 100	India	FT-SE 100
Bulgaria	FT-SE 100	Canada	FT-SE 100	Czech Rep	FT-SE 100	Denmark	FT-SE 100	Egypt	FT-SE 100
Finland	FT-SE 100	France	FT-SE 100	Germany	FT-SE 100	Greece	FT-SE 100	Hong Kong	HK 100
Italy	FT-SE 100	Japan	Nikkei	UK	FT-SE 100	US	Dow Jones		

Rabin seeks to maintain momentum for detente with visit to Hassan of Morocco

Jordan moves closer to full peace with Israel

By Mark Nicholson
in Washington and Julian O'Connell
in Jerusalem

JORDAN yesterday initiated an outline peace agreement with Israel, becoming the first Arab state to reach an understanding with the Jewish state since Egypt signed a full peace with its neighbour in 1979.

Just a day after Israel signed its outline agreement with the Palestinians, both countries initiated what they described as an "agenda" framing future negotiations towards an eventual peace treaty.

Mr Yitzhak Rabin, Israel's prime minister, meanwhile sought to build on the momentum for peace by visiting Morocco for talks with King Hassan, while Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, met Senate leaders in Washington before travelling on to the United Nations in New York.

In Rabat, a spokesman for Mr Rabin commented: "It is the first time an Israeli prime minister

has met an Arab leader out in public, other than the Egyptian leaders."

During an hour's meeting with about 20 senators, Mr Arafat requested a review and repeal of

ISRAEL AND THE PLO

Page 4

■ Arafat put to the test
■ End to isolation beckons

■ It's better late... Page 16

laws that impeded or prevented economic or other relationships between the US and the PLO and repeated his strong commitment to peace.

Mr George Mitchell, the Senate majority leader, said the general reaction among senators was to be helpful and that laws should be changed where needed.

In sharp contrast to Monday's ceremonies at the White House lawn, the Jordan agreement was initiated by Mr Elyakim Rubin-

stein, head of the Israeli delegation to the peace talks, and Mr Fayez Tarawneh, his Jordanian counterpart in the small Thomas Jefferson room in the State Department.

The modest affair took just over 10 minutes, after which the two signatories shook hands without hesitation or embarrassment. A small group of State Department officials applauded.

A draft text covering the outstanding issues between the two sides has been virtually ready to sign since last year. Jordan, however, delayed a final signing until progress had been made on the Palestinian-Israeli negotiations.

The document contains undertakings from both sides to refrain from threats to each other's security and sets out the main areas for future discussion - notably on water rights, minor outstanding border issues and the status of refugees. "We hope this is just a first step, which will follow into an agreement based on comprehensive peace," said Mr Tarawneh. The document calls for "steps



US secretary of state Warren Christopher (far right) watches as Fayez Tarawneh (left) shakes hands with Elyakim Rubinstein after initialling an outline peace agreement between Jordan and Israel

to arrive at a state of peace based on Security Council resolutions 242 and 338" - which demand an Israeli withdrawal from the territories occupied since the 1967 war - indicating that Jordan is

unlikely to sign a full peace deal with Israel until the Jewish state has done so with others. In Israel there were mounting signs yesterday that Mr Rabin would face an uphill struggle to

win the parliamentary votes he says he needs to pass the peace agreement.

Mr Arye Deri, leader of the

Continued on Page 18

Rexrodt abandons peace role in VW 'spy' row

By Christopher Parkes
in Frankfurt

MR Günter Rexrodt, German economics minister, has unexpectedly abandoned his role as peacemaker between motor industry rivals Volkswagen and Adam Opel, the German subsidiary of General Motors.

He was being kept informed on the bitter dispute over the alleged theft of data and possible industrial espionage by Mr José Ignacio López de Arriortúa, the new VW production director. But the minister was "no longer active", a spokeswoman said yesterday.

"Nothing has changed, and when there is no willingness, then it is just a waste of time," she added. It is understood there are no plans for any further contacts with either side.

Mr Franz Wauschkunn, Mr Rexrodt's personal spokesman, said recently that the minister's aim had been to try to prevent damage to political and business relations between the US and Germany and to find a way for the two companies "to work together sensibly".

Political observers said yesterday that, by leaving the legal investigation and the row to run their natural course, Mr Rexrodt has withdrawn from an fast-moving, unpredictable situation in which he was ill-advised to intervene in the first place.

He was drawn into the fray by Mr Ferdinand Piëch, VW chairman, after Opel said it would agree to written exchanges with the VW chief if he publicly retracted statements that the US group was conducting a "war" with the intention of "defaming" Volkswagen. However, Mr Piëch was prepared only to offer not to repeat his accusations.

The minister last met Mr David Herman, Opel chairman, on August 26 in Frankfurt, the same day public prosecutors raided and searched VW head-

Continued on Page 18

Japan's economy shrinks as demand eases

By William Dawkins in Tokyo

JAPAN'S economy contracted in the second quarter this year, with gross national product shrinking by 2 per cent on an annualised basis and by 0.5 per cent from the previous quarter.

The decline in GNP, which if repeated in the quarter that ends this month would mean the country was officially in recession, will put pressure on the month-old coalition government to increase its plans for a further pump-priming economic package, due to be announced tomorrow.

Mr Yasuichi Mieno, governor of the Bank of Japan, said yesterday he saw no evidence of imminent recovery. However, he expected

further benefits of previous economic stimulus packages to emerge.

The Economic Planning Agency, traditionally more optimistic than the central bank, said it still thought there would be recovery in the second half of the current tax year to March.

Private sector analysts' forecasts for the full year range widely, from an economic decline to something below last year's 1.5 per cent growth, itself the lowest for 18 years. "The trade surplus is going up and there is no growth in the short term. Now let's get some policy response," said Mr James Vestal, chief economist at Barclays de Zoete Wedd in Tokyo.

The stimulatory measures due tomorrow will be the third such package in the past 18 months, during which the government has allotted nearly ¥24,000bn (\$226bn) of public spending. Growth reached 2.3 per cent in the first quarter, holding out the short-lived prospect of a recovery.

The previous two spending packages have begun to flow through, as seen in a 5.2 per cent rise in public investment over the previous quarter. Yet this was not enough to offset the continued slide in external demand - down 0.5 per cent, reflecting a fall in exports - and the decline in private consumption, down 0.8 per cent as Japanese spent less

on cars, furniture and clothes. Japan's trade surplus widened to \$7.54bn last month, up 7.5 per cent from \$7.02bn in the same month last year. Sluggish domestic demand and the impact of the rising yen on the dollar value of Japan's exports were the main factors. In yen terms, the surplus fell 11.3 per cent over the same period.

Japan's surplus with the US, its main trading partner, rose from \$3.13bn to \$3.45bn. This adds to strains with Washington just a few weeks before Mr Morihiro Hosokawa meets US president Bill Clinton for the first time since he became prime minister.

The strain on Japanese compa-

nies was highlighted yesterday when a private credit agency, Teikoku Data Bank, reported a 3.3 per cent annualised rise in August in bankruptcies with liabilities of more than ¥10m. This was the first increase in four months; compared with July, company collapses were up 5.6 per cent.

One glimmer in the economic gloom appeared yesterday with a 5.6 per cent rise from June to July in machinery orders by the private sector. However, overall machinery orders, including from the public sector and export customers, fell 5.8 per cent after a 2.9 per cent decline in June.

Lex, Page 18

GM planning to acquire Japanese car parts makers

By Michio Nakamoto in Tokyo

GENERAL MOTORS, the US carmaker, is looking to acquire one or more Japanese parts makers to increase sales of components in the Japanese market.

Mr Philip Austin, vice-president of GM's Automotive Components Group in Japan, said: "To be a strong player in any market you need a manufacturing presence and we don't have one in Japan."

Although acquisitions of Japanese companies by foreign groups have been rare, Mr Austin said the timing was good since many Japanese car parts suppliers had suffered from the economic downturn. "Their investments in the US have become a burden and they are overcommitted in Japan with borrowings, so opportunities obviously exist," he said.

GM's move reflects its growing interest in developing its Asian operations. The components division, which currently sells over 70 per cent of its product to the parent company, is working to reduce its dependence on the North American market to 50 per cent of revenues by 2000.

US and Japanese trade negotia-

week to discuss the possibility of encouraging Japanese purchases of US cars and car parts in an effort to rectify Japan's huge trade surplus.

US-made car parts have been more successful in penetrating the Japanese market than US-made cars. GM, for example, sells more than twice as much in components in Japan as it does in cars, and Mr Austin said GM expected sales to Japanese carmakers to reach \$2bn globally by 1998, compared with \$900m last year.

Japanese carmakers have stated their willingness to try to buy \$19bn of foreign car parts in fiscal 1994 and there is a move on the US side to push Japan to set a similar target for 1995 and 1996 as well. Although the political pressure has helped raise awareness on the part of Japanese carmakers of the need for change, GM has sought to expand its business by working to better meet the needs of customers.

As a result the US company has even joined the supplier associations of Japanese car parts makers which supply a particular car company. These meet regularly to discuss their customers' policy and improve communications with them.

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	Crossword		Trust/Unit Options	
			FT World Activities	

NEWS: EUROPE

Shevardnadze risks all for more powers

By Leyla Boulton in Moscow

MR Eduard Shevardnadze, the Georgian leader and former Soviet foreign minister, yesterday took the last big political gamble of his career by announcing he was resigning as Georgia's head of state.

His decision, announced after a former ally accused him of dictatorial ambitions for seeking emergency powers to save Georgia from civil war, was rejected unanimously by parliament.

Although Mr Shevardnadze responded by telling parliament his decision was final, the move appeared to be a high-risk gamble to clear obstacles to his policies. He later told a rally of supporters he would return if parliament was suspended for three months and he was given the emergency powers he wanted. If his gamble fails, Georgia could be plunged into even greater chaos.

"Indeed, it would seem that no emergency situation can save Georgia, if every time you want to disarm some kind of illegal bandit formation, you found it has powerful protectors," he said, in a possible reference to Mr Jaba Joseliani, who made the accusations against him.

It was Mr Joseliani, one of Georgia's freelance warlords, who helped him return to power after overthrowing the former president, Mr Zviad Gamsakhurdia.

The silver-haired Mr Shevardnadze, 65, also appeared to shake off once and for all his mantle as a former communist



Shevardnadze said he was resigning but may change mind

party boss. Since his return, he has gradually consolidated power in his own hands, becoming prime minister as well as head of state and parliamentary speaker.

With even impartial observers suggesting that he was returning to the ways he was used to in running Georgia as communist chief, Mr Shevardnadze has said that the crisis facing the newly-independent republic required emergency measures.

The problems have included attempts by Mr Gamsakhurdia, to fight his way back to power with military force, separatism in Abkhazia and a collapsing economy.

For unlike the present leader

of neighbouring Azerbaijan, Mr Geldar Aliyev, another former communist who returned to power by overthrowing an inexperienced nationalist, Mr Shevardnadze prides himself on being a genuine convert to democracy. "When they slander me by saying I want to work with communist methods and by the laws of the communist regime, I will not bear it," he said.

Yesterday's announcement was as emotional as his resignation as President Mikhail Gorbachev's foreign minister in December 1990.

Then he caused widespread consternation with a warning of impending dictatorship in Moscow.

Norway cold shoulders EC

Hugh Carnegie and Karen Fossli on voter hostility to the Community

KNOCK-OUT against the EC, proclaimed the tabloid headline yesterday alongside a picture of Ms Anne Enger Lahnstein, leader of Norway's triumphant Centre party, her hand held high like a victorious boxer.

Prime Minister Gro Harlem Brundtland's Labour party may have "won" Monday's election by upping its vote and reinforcing its hold on power as a minority government. But there was no doubt in Oslo yesterday that the advance made by the Centre party, surging to become the second largest group in the Storting (parliament) on the back of its vehement opposition to Norway joining the EC, was the most dramatic feature of the electoral race and one which poses considerable problems for the government.

Labour was under no illusion before the election that winning a referendum on EC membership sometime during the term of the new parliament would be an easy feat. Now that task has been made more difficult, with anti-EC forces, even within Labour's ranks, strengthened in parliament.

The result will also have sent a shudder through the right-centre governments in Sweden and Finland. Not only will opponents to the EC in those countries take heart from the Norwegian election result, but prime ministers Carl Bildt and Esko Aho will have been dismayed by the dismal performance of their ideological allies in Norway, the Conservative party.

Under Mrs Kaci Kullmann-Five, the Conservatives, the strongest advocates of Norwegian EC membership, suffered

Norwegian Election

Projected results*
Parliamentary seats: 165

	1983	1989
Labour	67	63
Centre	31	37
Conservative	28	31
Socialist Left	13	17
Christian Democrat	13	14
Progress	11	22
Liberal	1	0
Red Choice Alliance	1	0

Forecasts by the Norwegian news agency NTB, based on 68.1% of the vote. The 1989 parliament had 154 seats.

their worst defeat in 30 years, surrendering their traditional position as the second largest party. The Conservatives will have just 29 seats in the 165-member parliament, while the Centre party will have 31, almost three times its representation in the previous Storting. The other right-of-centre forces, the Progress party and the Christian Democrats, also lost heavily.

Before the election the Centre party was a marginal force, ranking sixth among the seven parliamentary parties. Formed in 1920 to represent farmers, whose proportion of the working force has now fallen to less than 5 per cent, its previous highest share of the vote was 11.6 per cent in 1973, following the 1972 referendum rejecting EC membership.

On Monday it won 18.5 per cent of the vote as it cashed in on widespread support for its defence of Norway's independence and system of high subsidies to the country's remote rural communities.

NORWAY'S Labour government

pledged yesterday to press ahead with its application for membership of the European Community and said it believed it could still win domestic support despite the big gains made by the anti-EC camp in Monday's general election, write Hugh Carnegie and Karen Fossli in Oslo.

"There is still a majority in parliament in favour of our application. We are going to continue to negotiate to join the Community," said Mr Jens Stoltenberg, deputy leader of the Labour party. "The real debate has not yet started."

The party's popularity was boosted by the down-to-earth charm of the youthful Ms Lahnstein, who hammered home a relentless message that the EC must be rejected, earning the nickname "The No Queen".

Ms Lahnstein, party leader since 1991, will now use the election result as a springboard to defeat Labour's pro-EC strategy. Ominously for the government, the party has suggested it may use its new-found strength to block ratification of membership even if a Yes vote is secured in a referendum. Anti-EC strength in the Storting is now sufficient to block the three-fourths majority required for ratification, regardless of a referendum outcome.

In the face of the Centre party's advances, Labour did well to increase its Storting strength from 63 to 67 seats, winning support particularly from the anti-EC Socialist Left party through a combination of an ambivalent campaign

stance on the EC and an improving economic outlook.

Its task now is to secure an EC accession agreement in negotiations with Brussels, which it could then sell to the electorate as a good deal on the key issues of oil, fish, agriculture and regional policy. With opinion polls showing 58 per cent of voters against membership, Labour leaders say they will not risk a referendum unless they win concessions from the EC.

Although most of the Labour leadership is committed to Norway joining the Community, they are determined not to commit political suicide over the issue. Mrs Brundtland has left no doubt that she would withdraw Norway's application if she did not win the negotiating result sought.

Indeed, Labour leaders talk of the "fallback" position for Oslo provided by the European Economic Area trade pact, which Oslo has approved and which should come into force by next year. It would give Norway many of the economic benefits of full membership, albeit without the influence to shape policy. But they believe it is still possible to change opinion, just as they transformed poll ratings as low as 26 per cent for Labour during the summer into an election victory.

"When we have a negotiating result, we will start the EC campaign," said Mr Jens Stoltenberg, Labour's deputy leader. "So far it has been a one-sided war. The No camp has had a walk-over up until now. At least this election shows the Labour party is able to campaign and is able to change the minds of voters."

Poland's smaller parties on the block

By Anthony Robinson in Warsaw

ONLY four out of Poland's multiplicity of political parties are assured of gaining the 5 per cent of votes at Sunday's election needed to enter the next parliament. Three out of the four have their roots in the former communist party or the left wing of the Solidarity movement.

This is the main finding of the last pre-election public opinion poll based on a sample of 1,100 voters nationwide.

A clutch of smaller parties, including the free-market Liberal Democratic Congress (KLD), the right wing nationalist Confederation for an Independent Poland (KPN), the Christian Democrats and President Walesa's non-party BBWR movement, are struggling to gain enough support to cross the 5 per cent barrier.

The poll, financed by the Polish government, shows that the four leading parties - the governing Democratic Union (UD), the former communist Left Democratic Alliance (SLD), the former communist-linked Polish Peasants Party (PSL) and the Labour Union (UP) led by radical left wing members of the former Solidarity alliance, are likely to receive between 11 and 15 per cent of the vote each.

An incomplete private poll managed by former high-ranking Polish communists, gives the SLD a commanding lead with around 25 per cent of the vote.

Ceasefire agreed by Croat and Bosnian leaders

By Frances Williams in Geneva and Gillian Tett in London

THE presidents of Bosnia and Croatia yesterday agreed to an immediate halt to fighting between mainly Moslem government troops and Croat forces in central and south-west Bosnia.

Croatian President Franjo Tudjman said after talks in Geneva with Mr Alija Izetbegovic, the Bosnian leader, that they had signed a ceasefire accord.

He said the ceasefire would come into effect "immediately", although the agreement calls for a halt to fighting by noon on Saturday "at the latest".

Although previous ceasefires have usually been ignored by commanders on the ground, Mr Tudjman claimed the Bosnian Croat leader, Mr Mate Boban, who was not in Geneva yesterday, would respect the call.

Despite the accord it appeared yesterday there was still no agreement over when Bosnian peace talks might reconvene, although Mr Tudjman and Mr Izetbegovic have agreed to establish working parties to discuss points of contention between the two sides.

Earlier, the two leaders discussed with the international mediators, Lord Owen and Mr Thorvald Stoltenberg, the issue of access to the sea for the Moslem republic. This is a key obstacle to resumption of the peace talks, which broke up two weeks ago.

Meanwhile, in a sign that the mediators are seeking a compromise, Lord Owen told a separate meeting of the 29-nation steering committee of the international conference on the former Yugoslavia that Mr Izetbegovic's demand for land

to develop a port near the fishing village of Neum was "second-best" to access to Ploce on Croatia's Dalmatian coast, which the Croats have already accepted.

In another indication of attempts to recapture the momentum, Nato military planners are due to present to a meeting of the North Atlantic Co-operation Council in Brussels today initial plans for the deployment of Nato peacekeepers in Bosnia.

In Croatia, UN officials were attempting yesterday to secure a ceasefire after rebel Serb forces shot down a Croat plane which was on a bombing raid.

Fighting in Krajina flared up last week after Croat forces launched an offensive against Serb positions in the area, threatening to rekindle the six-month war that was fought between Serbs and Croats in 1991.

Spending cuts urged on Finns

By Christopher Brown-Humes in Helsinki

FINLAND needs to make further spending cuts and create a more flexible labour market if it is to build on the export-led recovery which is starting to emerge, says the Organisation for Economic Co-operation and Development in its latest report.

The OECD predicts flat economic growth this year, after a 10 per cent decline in real output in 1991 and 1992. In 1994 it forecasts a 2.1 per cent increase in gross domestic product following the strong revival in exports which has accompanied the depreciation of the markka.

The OECD says Finland's ability to reduce interest rates further is being constrained by a need to prevent a weakening of the markka to keep inflation under control. It says further spending cuts are "clearly needed" to curb a rising budget deficit.

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Poland's
smaller
parties on
the block

Dresdner Bank chief warns EC

By Christopher Parkes
in Frankfurt

PRO-EUROPEAN sentiment in Germany could be put at risk if the European Community persists in treating the integration of the former GDR as a purely German problem, according to Mr Jürgen Sarrazin, chairman of Dresdner Bank.

"Unfortunately, it is virtually taken for granted in Europe that the federal republic must deal with the economic integration of eastern Germany alone," Mr Sarrazin said in a rare meeting with the press.

"But there is an inconsistency here: why, for example, should southern Italy, parts of Greece and Portugal, and French agriculture be seen as European problems, while eastern Germany remains a purely German affair?" the bank chief asked.

Such questions had to be taken into account in the move towards European economic and monetary union, Mr Sarrazin told a Frankfurt journalists' club.

He was responding to past criticism that Germany maintained high interest rates to the detriment of its recession-hit partners.

They had been unable to lower rates because of the constraints of the European exchange rate mechanism in which the D-Mark played the role of anchor.

He acknowledged the link between unification and ten-

sions in the European monetary system, which culminated in last month's widening of the fluctuation bands in the ERM. Redeveloping eastern Germany required additional capital which could only be attracted with high rates, Mr Sarrazin said.

The ERM adjustments were a compromise between the "impracticable" extremes of a French franc devaluation or German interest rate cut to relieve pressure on the French currency. In the end a solution was found "at the cost of the EMS".

The new arrangements, and the "disturbing" de facto revaluation of the D-Mark, reduced export opportunities for German goods and could also "cause a dangerous uncoupling of the D-Mark", Mr Sarrazin claimed.

Pro-European feelings among the German population and in all the relevant political parties should not be put lightly at risk in Brussels, for example, with proposals that the costs of unification should be wholly concentrated on Germany through a unilateral D-Mark float.

This was one of the suggestions put forward at the ERM crisis meeting which led to the mechanism's effective suspension in early August.

"It is not feasible on the one hand to seek to bind Germany firmly within Europe, and then leave it alone with its eastern problem," Mr Sarrazin maintained.

Kohl pins hope on man from east



Chancellor Kohl applauding Mr Steffen Heitmann yesterday

By Quentin Peel and Judy Dempsey in Berlin

GERMANY'S Christian Democratic Union yesterday closed ranks behind its virtually unknown candidate for the presidency, angrily rejecting criticism that he is a non-entity whose only qualification is that he is east German.

Mr Steffen Heitmann, the 49-year-old justice minister from the eastern state of Saxony, was given a rousing ovation at the end of the CDU party conference in Berlin, as delegates sought to counter the impression that they are only half-hearted about his candidacy for the highest office in the federal republic.

It was a demonstration of party solidarity in the face of opposition attacks, and of the obvious need to forge a stronger union between east and west, urged on by Chancellor Helmut Kohl and Mr Wolfgang Schäuble, his heir apparent and party leader in the German parliament.

The unresolved strains of unification, and the need to forge a greater sense of national identity and patriotism to overcome them, were the underlying themes of the conference as the CDU struggles to counter political apathy

above all in east Germany - before an election marathon next year.

Membership of all the main political parties is languishing in the eastern states, and both the CDU and the opposition Social Democratic party (SPD) have problems in providing a full slate of candidates in some areas.

According to the latest opinion poll, CDU support is only 28 per cent in the five states which constituted the former German Democratic Republic, in all of which there are elections scheduled in 1994.

Mr Heitmann's candidacy for the presidency is seen as part of Mr Kohl's attempt to win back some eastern support, although he is barely known in the east, let alone in the west of the country. He was a Lutheran lay preacher before unification, and his greatest asset, in the eyes of CDU party leaders, is that he had a blameless reputation during the communist years - unlike many other eastern politicians.

Yesterday he was persuaded to speak fleetingly to the conference - not enough to demonstrate his political inexperience, but long enough to win sympathy and support from the floor. He spoke emotionally about the "wonderful experi-

Italian to chair key body in banking

By Andrew Jack

MR TOMMASO Padoa Schioppa, deputy director general of the Bank of Italy, has been appointed chairman of the Basle committee on banking supervision.

Mr Schioppa replaces Mr Gerald Corrigan, who stepped down after leaving his post as president of the Federal Reserve Bank of New York.

The announcement was made late on Monday night by the Bank for International Settlements at Basle, where central bankers from the G10 countries were meeting.

Mr Schioppa, the third most senior official at the Bank of Italy, has been deputy governor since 1984 and spent time at the European Commission in Brussels dealing with monetary affairs.

He had been considered as a possible contender for the post of governor, but the job was given to Mr Antonio Fazio in May.

Also at the G10 meeting yesterday, the Basle committee said a recent review confirmed that by the end of 1992 all internationally-active G10 banks had capital ratios exceeding 8 per cent, as defined by the Basle capital accord.

The committee, which conducted the review of the effects of the accord agreed in 1988, said this showed that the banks had met the minimum capital requirement laid down in the agreement.

Average ratios for each national category of bank ranged between 8.8 per cent and 11 per cent.

Moscow to finance deficit with gold sales

By Leyla Boulton in Moscow

THE Russian government plans to sell \$1,000bn (1800m) worth of gold to Russian commercial banks as part of the Finance Ministry's battle to bring the gaping budget deficit under control, Mr Sergei Alexashenko, deputy finance minister, said yesterday.

Mr Alexashenko, who is responsible for budget policy,

said in an interview that the government was arranging to sell to banks certificates - at prices based on the international gold futures market - guaranteeing to deliver up to 100m tonnes of gold in a year's time.

He also said that Mr Boris Fyodorov, the finance minister, had threatened to resign unless the government implemented emergency tax increases

as part of a strategy to save Russia from Ukrainian-style hyperinflation resulting from the unlimited use of printing presses to finance the budget deficit.

The budget is at the centre of the conflict between President Boris Yeltsin and the parliament. The parliament wants to increase the government's deficit by far more than that fore-

seen by the Yeltsin-backed budget it has rejected.

Because of conservative ministers' support for parliament's free-spending instincts, the budget has also become a crucial test of Mr Yeltsin's own commitment to financial stabilisation policies he himself launched and which are a condition for further IMF assistance. Crowning the Finance Minis-

try's strategy is a plan to introduce a uniform tax system from next January, applicable to all of Russia's 89 republics and regions.

The aim is to do away with the present system, which is threatening Russia with disintegration, of individual bargaining for each region and republic on how much tax revenue they can keep for themselves.

Russia may lose credit for banking revolution

By Leyla Boulton

THE stern red granite former German embassy in St Petersburg this week opened its doors to the public as home to the first foreign bank in Russia since the Bolshevik revolution.

But when Dresdner Bank and Banque Nationale de Paris held an official opening of their joint subsidiary with champagne - and talk by the mayor of an historic occasion - there was little cause for celebration. Despite security provided by an ex-KGB officer against gangsters, the bank is under threat from other quarters.

On Friday, the Russian parliament will decide whether to ban foreign-owned banks from taking deposits from Russian customers. Such customers would include joint ventures with foreign companies that account for most of the foreign investment in Russia so far.

Parliament's proposed ban, which would come into effect next January and last until 1996, is the fruit of lobbying by some of the increasingly powerful Russian commercial banks which say they are not ready for foreign competition.

Their main fear is that they will lose their prized hard currency deposits to western banks which, by virtue of being well established and foreign, may inspire more trust among Russian customers.

The government, central bank, and even parliament's own sub-committee for banking are mobilising efforts to get deputies to change their minds

in behind-the-scenes lobbying this week. On Monday, the central bank issued licences to two more foreign banks, Credit Suisse and the Netherlands' ING Bank, as part of its efforts to present parliament with a *fait accompli*. Full banking licences have already been given to France's Crédit Lyonnais and Société Générale, as

"If the law restricts our activities, we will comply with it in the hope it will be modified in a short time. I hope political wisdom will prevail"

as Bank of China. "Competition would be good for our banks. They would learn how to work better," explained Mr Nikolai Medvedev, chairman of the banking sub-committee. But there is no guarantee that these efforts, together with private warnings by German authorities that loans to Russia might be reviewed in retaliation, will succeed.

Asked why they had pressed ahead despite the risks, Mr Jacques Henri Wahl, BNP's chief operating officer, said the two western banks, which enjoy a global alliance, wanted to be in a position to take advantage of opportunities which would arise when the economy got going again.

"If the law restricts our activities, we will comply with it in the hope it will be modified in a relatively short time."

he said. "I just hope that political wisdom will prevail. Privately, western bankers say they want to get a foot in the door while it is still open. In a more moderate plan to protect its fledgling banks, the central bank has already said it plans to limit the share of foreign banks to 12 per cent of banking capital in Russia.

But the consequences of the ban envisaged by parliament would harm not just the banks, but would further dent western business confidence.

It would also deprive the authorities, which lack supervisory skills and credibility, of a badly needed tool for improving the performance of their own banks and for encouraging foreign investment.

Rather than compete for rouble customers and lending opportunities, the most successful and independent Russian banks hold hard currency on short-term deposit, channel it in and out of the country for trading operations, and play the foreign exchange market. BNP-Dresdner Bank (Rossija) itself does not initially plan to take rouble deposits or do very much in the way of project lending. Banks as a whole are unlikely to switch to productive lending on any significant scale unless the economy is stabilised.

The banking sector itself is badly in need of restructuring, a process which will be speeded up only if there is financial discipline for the economy at large. Russia has nearly 2,000 banks, with about 100 accounting for two-thirds of the banking system.

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September, 1993

NEWS: ISRAEL AND THE PLO

Roger Matthews on how the PLO leader must balance himself between Israel's demands and his constituents' expectations

Arafat put to the test over declaration, says Rabin

THE SOMBRE note struck on Monday evening by Mr Yitzhak Rabin, Israel's prime minister, following the signing of the declaration of principles with the Palestine Liberation Organisation, underlines just how much negotiating work has to be done before either side can feel confident about the intentions of the other.

While acknowledging the commitments made by Mr Yasser Arafat, the PLO chairman, in agreeing the document, Mr Rabin said he would believe that a real breakthrough had been made only if the PLO fulfilled its pledges. "We have decided to take a chance, to

put him to the test," said Mr Rabin.

Much of Mr Rabin's caution inevitably stems from the long and bloody history of Israel-PLO relations. But the publication of the declaration of principles signed at the White House also reveals the extent to which Mr Arafat appears to have compromised on the declared aims of the Palestinian negotiating team during the previous rounds of talks in Washington.

Whether those compromises are primarily a tactical shift by Mr Arafat to win Israeli recognition for the PLO and reassert his weakening hold on the organisation, or represent a more fundamental reappraisal of what the Palestinians can

realistically hope to achieve, should slowly emerge as the negotiators seek to put flesh on the broad principles that have been agreed.

The two critical areas will be security, which is likely to be Mr Rabin's personal touchstone in judging the performance of the PLO, and on the extent to which the Palestinians will accept far more limited powers for the interim self-governing authority than they had previously demanded.

Mr Arafat has accepted that the Palestinian Interim Self-Governing Authority, which will administer "West Bank and Gaza strip territory" for a five-year period, will not touch on such issues as the

status of Jerusalem, Jewish settlements, refugees, security arrangements and relations with neighbouring countries. Instead it will administer areas such as education, health, welfare and tourism, while also building up a local police force, a role previously rejected by the Palestinian negotiating team as being akin to acting as the administrators for the occupation force.

They had said repeatedly that such a deal would not be acceptable to the majority of Palestinians in the West Bank and Gaza. Instead they demanded an elected authority with important legislative functions, which would also have some competence on highly contentious issues such

as the ownership of land and the utilisation of water resources.

The ambition of the Palestinian team at the earlier rounds of Washington talks had clearly been to acquire as many of the attributes of a future independent state as possible, while Israel was equally determined to resist making such concessions.

If, as seems possible, Mr Arafat has in large part abandoned that aim, the negotiations over the powers assigned to the interim self-governing authority could proceed relatively smoothly.

But if the PLO leader finds it increasingly difficult to build and sustain a Palestinian consensus once the initial euphoria of international recognition subsides, then the issues which blocked progress at the Washington negotiations could quickly resurface.

The challenge of reconciliation among the Palestinians in the occupied territories will bear even more heavily on the issue of security. Within three months Israel and the PLO are due to have concluded an agreement providing for the redeployment of Israeli military forces from the Gaza Strip and Jericho area and the phased introduction of a Palestinian police force.

Until very recently, Mr Rabin's premiership has been notable primarily for its vigorous response to security issues.

The ejection of over 400 Palestinians from the occupied territories last December, the subsequent travel ban on Palestinians from the West Bank and Gaza into Israel, and the week-long bombardment of Lebanon all confirmed that for Mr Rabin the safety of Israelis came before building confidence that might promote peace.

While Mr Rabin might now fairly reflect that his toughness paid off, it would be unwise of Mr Arafat to assume that the Washington agreement will soften the Israeli response to further outbreaks of Palestinian violence.

In addition, the declaration of principles commits the new Palestinian police force to co-operate with Israeli security forces in combating Hamas and other radical Islamic groups in the territories which remain committed to the armed struggle.

And even after the redeployment of the Israeli army, Mr Arafat has agreed that Israeli military and civilian may continue to use roads freely within the Gaza Strip and Jericho.

All this leaves the PLO leader with a huge, and probably contradictory, list of requirements to fulfil. Balancing himself between the demands of Mr Rabin and the expectations of his constituents could well prove the greatest test yet for Mr Arafat's formidable powers of survival.

End to isolation beckons as taboo ends on ties with Israel

A "DOMINO EFFECT" of Arab and Islamic states announcing recognition of Israel was predicted yesterday by Israeli officials after Mr Yitzhak Rabin, Israel's prime minister, paid a surprise visit to Morocco.

Israelis said an expected tumbling of the diplomatic and trade wall which has surrounded the Jewish state since its creation in 1948 could fuel a boom in trade, investment and tourism. This could help to consolidate Israeli public support for the peace agreements reached this week with Palestinians and Jordan.

"There's no doubt that this is an opening of the door for many other countries," said Mr Shimon Shetret, economics minister, who said steps towards diplomatic relations with Morocco would be a "formalisation of existing relations" in tourism, economic co-operation and trade.

Mr Avi Bekor, director of the Israel Council on Foreign Relations, said: "There is a domino effect. It is no longer a taboo to talk with Israel and have relations and the major psychological barriers have now been demolished."

Experts say that recognition by Morocco would lead quickly

to ties with moderate countries among the 50 Islamic and Arab countries that currently boycott Israel.

Zimbabwe's announcement that it was considering recognition of Israel yesterday is also expected to have a knock-on effect on developing countries and members of the

Julian Ozanne on the economic dividends of a likely 'domino effect' of recognition

non-aligned movement.

Early candidates for recognition include Tunisia, Indonesia, Malaysia, Kuwait, Oman and Saudi Arabia. In remarks published in yesterday's respected Hebrew daily Ha'aretz, Mr Mahathir Mohamed, Malaysian prime minister, said: "As the Israelis have changed their position we should consider the possibility of establishing diplomatic relations with them, especially after the Palestinians recognised Israel."

Mr Youssef bin Alawi bin Abdullah, Omani foreign minister, began a tour of Arab states yesterday to discuss "new realities".

"This can change the whole

reality of Israel within the Middle East," said Mr Bekor. Before Israel was completely isolated and surrounded by enemies who were against its existence and looked for allies on the periphery like Turkey and Ethiopia. Now Israel is moving towards its geographic place with its neighbours like

Jordan and Egypt which is quite revolutionary."

Israelis are split about the economic impact of the expected change in their status. Mr Shimon Peres, foreign minister, has spoken optimistically about a Middle Eastern common market, regional integration projects and joint ventures. A study carried out by the Tel Aviv University economic department has predicted that Israel could boost its exports by \$2.2bn, a 22 per cent increase, to five Arab countries when trade barriers come down.

In a sign of the link between diplomatic and trade relations, an economic delegation including Mr Jacob Frenkel, Israel's

central bank governor, and Mr Amiram Stvan, head of bank Hapoalim, is expected in Morocco soon to sign economic and aviation agreements and to discuss the possibility of a joint bank with the kingdom. The optimists will be buoyed by statements made by international fund managers about investing in Israel.

However, other Israelis are less optimistic about the economic dividends, pointing to the fact that 14 years of "cold peace" with Egypt has not yielded significant benefits.

"I think Israel will face major opportunities in economic co-operation but mainly in terms of export markets and import of natural resources but nothing as far reaching as a Middle East common market as envisioned by the optimists," said Mr Bekor.

Israel still faces an uphill struggle in striking a peace with its other two neighbours - Syria and Lebanon. Furthermore Israel will continue to face hostility from Arab and Islamic states such as Iran, Iraq and Libya which continue to influence developments and could pose a military threat to the Jewish state either directly or through proxy forces.



Pro-Iranian Hizbollah women chant slogans against Lebanese leaders and protest against the PLO-Israel pact during the funeral in Beirut of eight protesters killed by troops at a rally opposing the peace accord. Meanwhile Iranian President Ali Akbar Rafsanjani pledged in Tehran that the forces of Islam would not rest until "every last piece" of Palestine had been liberated, writes Parichehre Mostafaei. He condemned those who signed "the greatest act of betrayal of the Palestinian people".

Knesset vote hangs on judgment of Rabbi Yosef

THE FATE of Israel's historic peace agreement with Palestinians could rest on the decisions of a shadowy 73-year-old ultra-orthodox rabbi who has emerged as a powerbroker during the last five years.

Mr Yitzhak Rabin, prime minister, was due back home last night to face a considerable challenge in mustering the parliamentary votes he considers necessary to pass the peace accord. He could be forced into calling a national referendum.

Rabbi Ovadia Yosef, the country's leading ultra-orthodox oriental clergyman, is unopposed but he controls the Shas party which has six critical parliamentary seats. Last week it quit the Labour-led coalition over charges of corruption levelled against its leaders.

How Shas votes in next week's Knesset debate on the peace agreement will decide whether Mr Rabin is forced into holding a referendum. The Baghdad-born rabbi has been keeping his cards close to his chest, saying he will decide how Shas will vote only after the Jewish New Year, which ends on Sunday. But Mr Arye Deri, the parliamentary leader of Shas and former interior minister, said yesterday he had recommended the rabbi should "demand and insist" on a referendum to be held together with local elections due in early November.

Mr Deri also said he had instructed the interior ministry before he formally left the building yesterday, to prepare the "infrastructure, law proposals and all the technical means for holding a referendum."

Although the prime minister has a 61-59 majority for the peace agreement in the Knesset he has consistently said he would not allow a peace agreement to be passed if it depended for passage on the five Arab parliamentarians.

"If we will have 61 votes for the agreement and 59 against we will go to a referendum," Mr Eli Dayan, head of Labour's parliamentary faction, said yesterday. "But if Shas and others abstain we will have to reconsider what we do." Mr Ran Cohen, an MP of the left-wing Meretz bloc which is a part of the coalition, said his party would fight a referendum.

Labour party officials said Mr Rabin would mount a lobbying campaign to convince Rabbi Yosef to support the agreement or, at the very least, instruct Shas to abstain in next Wednesday's vote. Mr Rabin is also hoping to win support from the three Knesset members of Agudat Yisrael, a faction within the orthodox United Judaism Torah Party.

At least one right-wing dissident - Mr Ronni Milo, a senior MP of the opposition Likud party who is running for mayor of Tel Aviv - may also abstain or vote for the agreement. If Mr Rabin could win all nine floating Knesset votes he would have a 70-50 majority and would not be forced to call a referendum.

Much will depend on how Rabbi Yosef, who rarely gives interviews, interprets Jewish law. In 1959 the cleric returned from a visit to Egypt and issued a "halachic" rabbinical ruling declaring that giving part of the biblical land of Israel was less important than the greater religious obligation of saving human life.

A year later he brought down a national unity government led by Likud after it

rejected talks with Palestinians. "This might have led us, heaven forbid, to war," he said at the time.

Agudat Yisrael is also considering its position in the light of rabbinical teaching and is likely to be influenced by Rabbi Yosef's decision.

Julian Ozanne on the battle shaping in parliament over the peace deal

Mr Deri has said the prime minister has so far failed to convince Rabbi Yosef that his ruling of "giving away territories to save lives applies to the present agreement. There is a great danger to the lives of the settlers. There are great pressures on Rabbi Yosef to vote against the agreement. We have no obligation to vote for it - we are completely free."

Clouding the issue is whether Shas will remain in coalition. Mr Deri has alleged that charges prepared against him of fraud, breach of public trust and misallocation of government funds to Shas-supported religious schools and institutions are part of a wider campaign of discrimination against Sephardic or oriental Jews originating from North Africa, Spain and the Middle East by the larger and more dominant Ashkenazi or European Jews. Shas is wary of quitting the government for fear of losing the power to deliver funds and benefits to its supporters.

If Mr Rabin is forced to call a referendum, political experts say he stands a good chance of gaining majority public support for the peace agreement. Latest public opinion polls show a 65 per cent majority among Israeli Jews for the agreement. A referendum would also include the votes of 800,000 Israeli Arabs who would support the accord.

However, polls have shown that among those Jews who support the agreement a large percentage have security fears and could be influenced by a right-wing campaign for a No vote.



Rabin: may face referendum

Paving a path to lasting peace

Francis Ghilès on King Hassan's vision for the Middle East

THE meeting in Rabat yesterday between King Hassan of Morocco and Mr Yitzhak Rabin, Israel's prime minister, was less surprising than it might seem. In July 1986, when most of the Arab world would not acknowledge Israel's right to exist, King Hassan received Mr Shimon Peres, then Israeli premier, whom he had met more discreetly on a number of occasions.

And before that, Israeli officials slipped into Morocco repeatedly to prepare for Egyptian President Anwar Sadat's ice-breaking visit to Jerusalem in 1977.

The protection given Jewish subjects runs deep in the country's history and King Hassan has more than once reminded his Arab peers that no law

forbids a man to talk to his enemies.

Thousands of Israelis of Moroccan origin return each year to take part in religious festivals and help keep alive the country's once-thriving Jewish community. It is not unusual to find MPs from Israel's right-wing Likud party, born in the Atlas mountains, staying in hotels in Marrakesh and Casablanca.

King Hassan also enjoys good relations with most of the leaders in the Middle East, including Mr Yasser Arafat, PLO chairman, who travelled to Washington at the weekend on a Moroccan aircraft.

Over the past decade the monarch has successfully steered his country towards economic reform and has sought to tie it

more closely to Europe. When the king applied for Moroccan membership of the European Community in 1987 his request prompted incredulity and scorn.

Last winter, however, the EC agreed to a Moroccan request to negotiate later this year what promises to be one of the closest partnership treaties covering free trade and political co-operation between the Community and a non-EC country.

The king has long argued that talks between the PLO and Israel are crucial to lasting peace in the Middle East. If the peace drive gains momentum and Morocco's negotiations with the EC bear fruit, King Hassan will have provided a bridge between east and west.

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Dismay over US stance on Hanoi

By Victor Mallet in Hanoi

THE Vietnamese government and US companies expressed disappointment yesterday at President Bill Clinton's decision to maintain US sanctions against Hanoi.

The White House announced late on Monday a softening of the embargo, ruling that US companies could participate in projects funded by international organisations such as the World Bank but would not be permitted to conduct other business. The US administration deemed Hanoi's efforts to solve cases of American servicemen missing in the Vietnam war insufficient.

US executives in Hanoi are more frustrated by the decision than the Vietnamese, who are already struggling to absorb more than \$60m (\$3.8bn) of promised investment from Japanese, Taiwanese, Korean, French, British and Australian companies.

The Vietnamese Foreign Ministry described Mr Clinton's decision as regrettable,

MITSUBISHI Motors and Mitsubishi Corporation, the trading house which is part of the same industrial group, are setting up a joint venture in Vietnam to manufacture vehicles, writes Michio Nakamoto in Tokyo.

The Japanese companies have agreed to link up with Viettranscomex, a Vietnamese national shipping and trading company, and Proton, the Malaysian national car company, to assemble and sell vehicles in Vietnam.

The four companies, which will each hold a 25 per cent stake in the new company, plan to begin assembling minibuses from mid-1994, on

receiving Hanoi's approval. The minibus will be modelled on Mitsubishi Motors' Delica.

Mitsubishi will be the second Japanese car company to invest in making cars in Vietnam. Vietnam Motors, which is 70 per cent owned by foreign shareholders including Nissan Diesel and Nichimen, the Japanese trading house, already makes trucks and cars.

Car ownership in Vietnam was an estimated 210,000 in 1991, Mitsubishi says. But the companies expect the market could expand to 300,000 vehicles by 1995 and 430,000 by the year 2000.

but added: "The US embargo does not hinder the economic renewal of Vietnam and the ever-broadening relations in all fields between Vietnam and other countries."

"It merely ties the hands of the American business community and deprives them of the opportunity to compete on an equal footing in Vietnam."

The Vietnamese do, however, want closer ties with the US in the long run to counterbalance the regional influence of China and Japan and to ensure Vietnam has access to US markets, technology and investment

capital. None of these is regarded as critical at this stage of Vietnam's economic development - annual gross national product is not much more than \$200 per head - but the communist government is eager to hold open projects for future US involvement. Officials, for example, have made no secret of their desire to have Mobil take part in the development of offshore oilfields.

US executives in Hanoi, while hoping Mr Clinton will fully lift the embargo before the end of the year, say the

Vietnamese cannot be expected to keep the door open for US companies much longer.

"We're sanctioning ourselves," said Mr Greg Craft, who heads American Service Co, a consultancy with an office in Hanoi. "I would have said 12 months ago that the return of the US was critical to the successful renovation of the Vietnamese economy. Now I don't think that's the case. Vietnam has done a brilliant job of lobbying the rest of the world."

The decision to allow US companies to bid for interna-

tionally-funded projects may seem a reasonable compromise in Washington, US companies say, but it has no immediate benefit.

It was only in July that Mr Clinton ended US opposition to multilateral assistance for Vietnam, and the World Bank and the Asian Development Bank are still preparing projects in which US companies will be allowed to participate. A donors' conference is to be held in Paris in November.

US companies poised to do business in Vietnam are also irritated because many of the products and services they are forbidden to sell are widely available in spite of the embargo.

Coca-Cola has signed two contracts worth \$44m to produce soft drinks, but is forbidden to execute them until the embargo is lifted.

Boeing may not sell aircraft, but a leased Boeing 737 from Switzerland is used by Vietnam Airlines. Pirated US computer software is also widely available.



OPEN FOR BUSINESS: A Vietnamese vendor walks past General Electric's office in Hanoi, the day after President Clinton eased sanctions to allow US groups to join development projects there

Chinese 'smash' Investors rush records' on dog to pour money stew and turtle into China

By Paul Abrahams

BEIJING'S credibility as the host city for the Olympic Games in the year 2000 seemed undermined yesterday as much of the world athletics community cast doubt on the validity of a series of astonishing results by female Chinese athletes.

Said one senior British athletic official: "The Chinese may think this sort of result supports their claim to host the games. But the scale of the improvement is so good it arouses suspicions they are not observing the Olympic ethos."

Long-distance athletes have broken world records for 1,500m, 3,000m and 10,000m at the Chinese national games in the last week. The 10,000m record was slashed by 42 seconds.

The results, achieved in front of 12 visiting members of the International Olympic Committee, came after Chinese women made a clean sweep of the medals last month at the world championships in Stuttgart.

The committee makes its decision on September 23. Mr Alan Storey, general manager of the NutraSweet London Marathon - who coached in China during the 1980s, said: "The Chinese must have been pleased by Stuttgart, but the recent world records detract from the bid because nobody believes they were achieved legally."

No evidence existed that the records were drug-assisted. Ma Junren, the athletes' trainer, dismisses accusations the results were helped by banned substances. He claims that high-altitude training and a special diet help the athletes prepare.

Some are running 170 miles a week, equal to more than

seven marathons in seven days. The diet includes caterpillar fungus tonic, dog stew, chicken soup, a paste made from berries, and soft-shell turtle. He also bases the women's running action on those of ostriches and deer.

Dr Peter Radford, professor of sports medicine at the University of Glasgow, and chairman of the British Athletic Association, said: "None of us know anything about the athletes, their histories or their training. And I don't have the foggiest about the diet."

By Frances Williams in Geneva

THE LURE of China's large and fast-expanding domestic market has made it the biggest recipient of overseas investment among developing nations, according to figures published by the United Nations Conference on Trade and Development yesterday.

It has also turned China into one of the leading recipients of foreign investment worldwide. In the first six months of 1993, foreign direct investment in China totalled \$9.4bn (\$5.1bn),

a 180 per cent rise on the same period in 1992.

Investment last year rose by 40 per cent to \$11bn, but the number of approved foreign investment projects almost trebled to 49,000; and the planned investment of more than \$58bn was nearly four times higher than in 1991.

The figures, given to an Unctad-sponsored conference in Beijing by Mr Wu Yi, China's foreign trade minister, show that by mid-1993 some 135,000 Chinese enterprises had overseas participation, with projected foreign investment of nearly \$170bn and actual investment of some \$44bn. Enterprises with foreign participation produced about 6 per cent of China's total industrial output in 1992.

More than 100 countries and territories are now investing in China, the most important being Hong Kong, Taiwan, the US, United States, Japan, Singapore, Germany, Britain, Thailand, France and Canada.

Ms Wu said the government was encouraging foreign direct investment outside the coastal economic zones and noted that a fifth of such investment last year was in inland provinces.

Foreign capital was now going into enterprises in the service sector, in areas such as finance, property, insurance, retailing and consultancy.

The Beijing conference, attended by representatives of about 40 multinational companies, urged the Chinese government to improve conditions for foreign investment.

Among the recommendations were further liberalisation of the service sector, easier labour mobility for Chinese employees, reduced bureaucracy, increased access to foreign exchange and more effective protection for intellectual property.

Japanese price probe into cosmetics maker

By Emihiko Terazono in Tokyo

JAPAN'S Fair Trade Commission has launched an investigation into alleged price-fixing by subsidiaries of Shiseido, a leading cosmetics maker.

The anti-monopoly watchdog has been increasing the number of probes under the new administration of Mr Morihiro Hosokawa, who has been calling for an increase in consumer benefits. The commission's move is expected to accelerate the unravelling of Japan's rigid retail and distribution systems, which have helped maintain high retail prices.

FTC investigators raided distribution subsidiaries of Shiseido yesterday, following claims by Kawachiya, a Tokyo-

based discount retailer, that the company had refused to sell its cosmetics.

Japan's leading cosmetics makers have maintained a tight grip on retail pricing through affiliated wholesalers and retail networks. Although resale price maintenance on cosmetics products was reduced to 24 items last year, retailers continue to sell products at the manufacturers' suggested prices due to the fear of shipment cancellations.

The investigation could affect prices of imported cosmetics, which have also been sold at higher prices because of the overall price level of Japan's cosmetics market. The sharp appreciation of the yen is increasing pressure for import brands to be sold at lower prices.

The prolonged downturn in the economy has forced a growing number of Japanese consumers to turn to discount retailers. Manufacturers, on the other hand, are growing increasingly wary that excessive discounting could damage their products' image and change consumer perceptions about "acceptable" retail prices.

Shiseido denies trying to prevent Kawachiya from selling its products at a discount price, and alleges the retailer was wholesaling cosmetics rather than selling to retail customers.

The FTC is expected to make similar investigations at Kanebo and Kao, cosmetics makers which Kawachiya also claims had cut shipments.

NZ sees steady growth in economy

By Terry Hall in Wellington

THE NEW Zealand Reserve Bank expects "steady, sustainable non-inflationary growth" of more than 2.5 per cent over the next two years, it said yesterday.

Its six-monthly economic forecast was issued shortly before Mr Jim Bolger, the prime minister, called a general election for November 6.

An opinion poll last night showed the National Party government with an eight point lead in popularity over the opposition Labour party. Mr Bolger said the Reserve Bank's report was proof the economy was in good health.

In New Zealand, the bank's six monthly statements are considered as important as the budget, given its independence from political interference in setting monetary policy with the goal of low inflation.

The statement was welcomed in the financial markets with sharp falls in interest rates and a further rise in the value of the New Zealand dollar.

Mr Grant Spencer, the bank's chief economist, said it would remain wary about inflation "which always has upside potential when an economy is in recovery mode."

Gross domestic product is expected to grow 2.6 per cent in the year to next March, and 3 per cent in the 12 months to March 1995. Underlying inflation is projected to fall from 1.6 per cent in the year to June 1993 to 1.1 per cent in the year to March 1994.

Business investment is expected to grow strongly, especially on plant and machinery. Unemployment was expected to fall slowly. A recovery was being made more difficult by large numbers of New Zealanders returning home from overseas.

Nigerian petroleum boards are dissolved

By Paul Adams in Lagos

THE BOARDS of the Nigerian National Petroleum Corporation (NNPC) and its four refining and distribution subsidiaries have been dissolved, removing the majority non-executive directors, the political appointees of ex-President Ibrahim Babangida.

The decision is a sign that Nigeria's interim government, in its third week in office, intends to be more than a caretaker until next March and is trying to tackle some of the economy's most pressing problems.

"This is the beginning of new developments under the interim government," an oil ministry official said. "The direction is to more efficiency, especially in getting petroleum

products to the people."

The interim government of Mr Ernest Shonekan has inherited an oil-producing industry unable to meet its cash commitments to foreign partners and a refining and distribution sector unable to supply enough fuel to the population.

Nigeria has the largest oil reserves in Africa, the source of 90 per cent of its foreign earnings, and the biggest refining capacity in its region. Yet, since the aborted introduction this year of a new grade of petrol at 10 times the previous heavily subsidised cost, and a national oil workers' strike which paralysed the south of Nigeria until a week ago, long petrol queues have become common in Lagos.

The marketing subsidiary PPMC sells petrol at about 2

US cents a litre, an estimated loss of revenue of \$23.45 a barrel, or enough to cover last year's budget deficit. The refinery subsidiaries operated at around half their 400,000 barrels-a-day capacity. Smuggling to other African countries is estimated at more than 10,000 b/d.

NNPC is about three months in arrears on cash calls for production and exploration, owing its joint venture partners about \$450m (\$292.2m), according to local estimates. In July NNPC sold a 5 per cent stake in its largest oil field, which produces about half the national output of 1.8m b/d, to Elf Aquitaine for around \$500m to replace missing funds for a proposed liquefied natural gas project industry analysts doubt will ever take off.

Namibia steps boldly along the path to full statehood

Philip Gawith focuses on how a new currency could help cement the country's political independence

THREE and a half years after achieving its independence, Namibia yesterday took a further step towards full statehood with the launch of its own national currency, the Namibian dollar.

Although the move is mainly of symbolic importance - the South African rand will for now remain legal tender in Namibia with the currencies being used in parallel at equal value - banks were yesterday expecting a clamour for the new notes when they become available today.

At yesterday's launch ceremony at the Tintenpalast government buildings in Windhoek, President Sam Nujoma insisted that the new currency would ensure "that Namibia is not only politically independent, but financially as well."

For some months the Bank of Namibia, the central bank, has been running a publicity campaign with the slogan "The

Namibia dollar. Our money. Our pride." About \$200m of notes will be issued in the first few days. The notes depict a famous fighter for independence, Captain Hendrik Witbooi, on the front.

The launch of the dollar follows another important event this month - an accord in principle with the Pretoria that the port of Walvis Bay would be handed over to Namibia next February.

In spite of a recession, business is generally happy with the way things have gone since independence. Mr Abel Gower, executive director of CDM, the De Beers diamonds subsidiary, comments that life for the company is "certainly no more difficult than it was in the past." He adds: "If Namibia is to be a model for South Africa, it is very encouraging."

Other businessmen agree that South Africans would be "deliriously happy" if,

three years into a democratic government, they have had a similarly benign experience. Certainly, it is difficult to find the a Windhoek businessmen who think his investment would be safer, or his lifestyle better, in South Africa.

However, unemployment is high, probably over 30 per cent, crime has risen and there are concerns about inefficiency and corruption in government. When a top agriculture official was alleged to have appropriated funds to help develop a private farm, he was dismissed, but no attempt was made to prosecute him or recover any money.

But as Mr Gower notes, the problems of Namibia "are very different from problems in Africa which have mostly arisen from the pursuit of misguided economic policies." The government is operating within a market economy, and the scientific

socialism and nationalisation contained in earlier rhetoric of the governing Swapo party is a distant memory.

Instead, the worries are that the government simply lacks expertise necessary to run an economy even of its modest proportions - with a population of 1.4m, gross domestic product is R7bn (£1.38bn), about 40 per cent of the size of Zimbabwe's economy and two-thirds that of Botswana.

Mr John Kirkpatrick, chairman of Rossing Uranium and former central bank board member, says: "There is gross inefficiency in government. There are a few well-run ministries, but most are disasters."

A more worrying long-term trend is the deterioration in government finances. In 1990-91, the first post-independence financial year, Namibia enjoyed a budget surplus of 1.6 per cent of GDP. The following

two years saw deficits of 2.4 per cent and 8.3 per cent and Mr Gert Hanekom, finance minister, concedes that the 1993-94 deficit will be "a little over 5 per cent" compared with a budget estimate in May of 4.5 per cent of GDP.

Mr Hanekom has had a difficult task. His tenure has coincided with a commodity price downturn, crimping tax contributions from the two main producers, Rossing and CDM, while South Africa, Namibia's main trading partner, has been deeply mired in recession. Also, the new government has been under pressure to address the apartheid legacy, especially in social services.

Mr Hanekom says he shares the concern about the deficit, but believes "we're on the verge of reversing this trend." He says initial projections for the 1994-95 and

1995-96 financial years show the deficit at below 5 per cent. Such targets are met with scepticism in the business community where Mr Hanekom is criticised for lack of consultation.

According to Mr Hanekom, the deficit will be contained by keeping expenditure growth below inflation and improving revenues without lifting tax rates. He believes an economic upturn will help close the deficit gap, predicting that emergence from recession may bring GDP growth of 7 per cent in 1994, moderating to 5 to 6 per cent in the two following years.

Perhaps the biggest threat to government finances is the size of the civil service which now employs 83,000 compared with pre-independence levels of 54,000. Businessmen doubt whether the cabinet has the political will to address the problem.

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NEWS: THE AMERICAS

US price rises point to stronger recovery

By Michael Prowse
in Washington

THE US economy may be gathering momentum after a lacklustre first half, figures released yesterday indicated. The Commerce Department said consumer prices rose 0.3 per cent between July and August, the biggest increase since the spring. Wall Street analysts had predicted an increase of 0.2 per cent or less. The annual rate of inflation was unchanged at 2.8 per cent. Separate data for retail sales pointed to stronger than expected consumer spending. Officials said retail sales rose 0.3 per cent last month and by 6.3 per cent compared with August last year. Figures for

July were revised substantially to show a gain relative to June of 0.3 per cent against a previous estimate of 0.1 per cent. Analysts at Merrill Lynch, the New York broker, said the figures were consistent with growth of real consumer spending at a robust annual rate of 3.5-4.0 per cent in the third quarter. Mr Ron Brown, the commerce secretary, said the figures implied the economy was "on track" to achieve the acceleration of growth predicted in the Clinton administration's recent "mid-session" economic forecast. The economy grew at a disappointing annual rate of 1.3 per cent in the first half. The White House and many private

sector forecasters are predicting growth at an annual rate of 2.5-3.0 per cent in this half. The strongest components of retail sales last month were sectors sensitive to interest rates that have benefited from a sharp recent decline in long-term rates to the lowest levels in a generation. Sales of building materials, hardware and mobile homes rose 1.8 per cent last month and 11.6 per cent in the year to August. Sales of motor vehicles and parts rose 0.7 per cent and 14.3 per cent respectively. Overall, sales of durable goods (items lasting several years) rose 0.6 per cent last month and 12.1 per cent in the year to August. The figures are not adjusted for inflation.

More pressure on Franco

By Angus Foster in Brasilia

BRAZIL'S President Itamar Franco yesterday looked further isolated from his main political supporters, the Party of the Brazilian Democratic Movement (PMDB), after the resignation of another PMDB minister from the government, and the threatened departure of two more.

Mr Coutinho Jorge, environment minister, resigned on Monday night as part of the dispute over whether the PMDB should have a greater role in formulating policy. His departure followed the ending on Sunday of the PMDB's conference, which provided a focus for discontent within the party.

Two other ministers, as well as the government leader in

the senate, offered to resign. But they were persuaded by the president to stay, at least until next week when the PMDB, the largest party in Congress, is due to decide whether to formally split with the government.

The PMDB's main argument is with President Itamar Franco, who has made a number of senior appointments without consulting the party.

The row overshadowed a press conference yesterday by Mr Fernando Henrique Cardoso, the finance minister, designed to assess the first three months of his "plan of immediate action", launched in June.

Mr Cardoso outlined progress made in areas like agreements on state debts and greater transparency of central

bank and treasury accounts. He repeated earlier pledges that there could be "no magic plans" to reduce inflation, running at nearly 2,000 per cent.

Mr Cardoso had planned a higher profile address on television but had to cancel the arrangements because of speculation he was about to launch a "shock" plan to tackle inflation.

Mr Cardoso said private research suggested Brazil would grow 5 per cent this year, its best performance since 1988.

Tax revenues in the first half of the year were 31 per cent higher than the same period last year, and the government has signed agreements with 11 states on rolling over debts. A further six are due to sign agreements today, he said.

IMF lends less to members

By Peter Norman,
Economics Editor

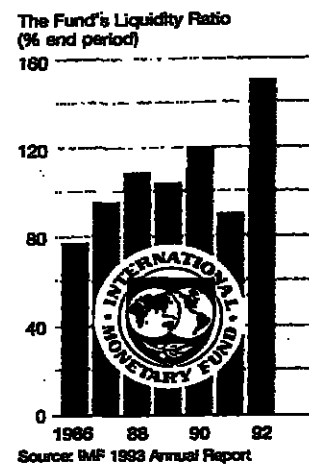
THE International Monetary Fund promised much reduced financial support for member countries last year in spite of a massive increase in its resources.

In its annual report, the IMF disclosed yesterday that the Fund made financial commitments to members with economic problems of 3.2bn Special Drawing Rights (\$4.84bn/\$2.94bn) in the year to the end of April, down from SDR3.1bn in 1991-1992. The IMF's members increased their quotas, or capital backing the Fund's operations, to SDR144.6bn at the end of April from SDR91.2bn the year before.

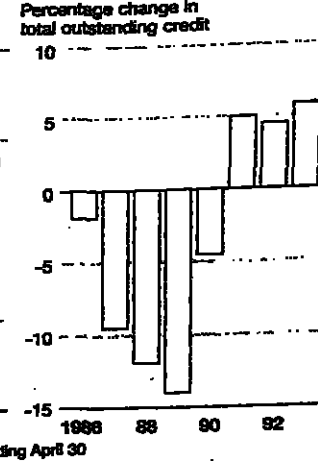
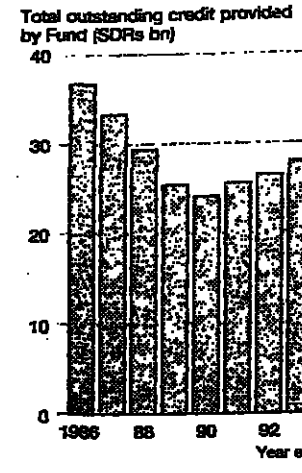
The Fund said the drop in commitments mainly reflected improved economic performance in many developing countries, particularly in Latin America. At the same time, demand for IMF resources from new members in eastern Europe and the former Soviet Union was less than expected.

Although the IMF has been expecting a surge in demand for its resources for some time, the total outstanding credit that it provided increased only moderately to SDR28.5bn in the past financial year from SDR26.74bn in 1991-1992. It was

A strong position to lend



Source: IMF 1993 Annual Report



therefore well below the recent peak of nearly SDR40bn recorded in 1984-1985.

Support for former Communist countries made up most of the SDR2bn promised by the IMF under its usual stand-by facilities last year: the remaining SDR1.2bn committed was longer-term financing to Peru, Jamaica and Zimbabwe.

The flow of IMF funds to former Soviet countries and eastern Europe is set to gather pace, however. In the Fund's current financial year, Kyrgyzstan and Russia have made

drawings of nearly SDR1.1bn on a new, temporary "systemic transformation facility" (STF) set up in April to help former communist countries adapt to market-based economic systems.

According to IMF officials, a loan for Moldova is pending under the facility, and Kyrgyzstan is expected to qualify for a second loan. Others interested in STF assistance include Belarus, Kazakhstan, the Slovak Republic and Russia.

The IMF has a very strong liquidity position to deal with

these rising demands. The report disclosed an increase in the IMF's usable liquid resources to SDR52.2bn in 1992-93 from SDR20.9bn the year before. The ratio of liquid liabilities to usable liquid resources - the liquidity ratio - increased to 155 per cent from 81.6 per cent.

The IMF also reported a decline, for the first time in a decade, in the members' arrears, from SDR3.5bn to SDR3bn. Peru successfully eliminated its arrears to the IMF in the past financial year.

Hopes for facility to aid reform

By Peter Norman

THE International Monetary Fund will seek approval for two measures to support developing and former communist economies at its annual meeting this month. But it is likely to move forward on only one.

The IMF hopes progress will be made towards agreeing the financing of a new "structural

adjustment" facility to help low-income developing countries carry out market-oriented economic reform programmes.

But Fund plans for a modest allocation to members of its own reserve asset, the Special Drawing Right, are expected to fall foul of a US veto and opposition from other leading industrial countries, including Germany and possibly Britain.

The IMF wants a SDR36bn (\$51bn/\$33bn) allocation that would bolster the international reserves of developing and former communist nations. Officials argue that it would stimulate world trade, restore the share of the SDR in global reserves to the 5.3 per cent average of the years between 1971 and 1991 and remove an inequity: 38 members have joined the Fund since the last allocation of SDRs and so never benefited from such a boost to their financial resources.

Both matters are due to be discussed at a meeting of the IMF's policy-making Interim Committee on September 26, ahead of the formal three-day meeting of the IMF and World Bank that begins in Washington two days later.

In its annual report, published yesterday, the IMF said

its board of directors reached broad agreement that a new structural adjustment facility worth SDR6bn should be provided to replace the existing Enhanced Structural Adjustment Facility (ESAF) which expires at the end of November.

The ESAF, which has provided funds at subsidised interest rates of 0.5 per cent to 19 poor developing nations, was judged to have been a success.

However, with virtually all industrialised countries experiencing budgetary constraint, differences exist on how to finance a successor to the ESAF.

A suggestion, put forward by Britain's former chancellor, Mr Norman Lamont, that the IMF should sell some of its gold holdings to finance a new ESAF appears to have been dropped.

NEWS IN BRIEF

Curbs on US banks may be eased

SENATOR Donald Riegle, chairman of the US Senate banking committee, yesterday said he planned to start work in November on legislation extending the right of banks to open branches across state boundaries, George Graham writes from Washington.

This follows a comprehensive endorsement by Mr Eugene Ludwig, who as Comptroller of the Currency is the principal bank regulator in the federal government, of the need for banks to be allowed to open branches in other states. Mr Ludwig also argued for banks to be allowed to sell insurance and other financial services.

The US has a complicated patchwork of banking laws which broadly prohibit the setting up of nationwide branch networks.

Ford talks near deadline

Talks between Ford and the US United Auto Workers union on a pattern-setting new labour contract yesterday appeared to be facing difficulty meeting a deadline of midnight, when the existing three-year agreement expires, writes Martin Dickson from New York.

Mr Owen Bieber, UAW president, said there was no guarantee of a pact being reached by midnight and negotiations were "very, very tough".

Bourassa to stand down

Quebec Premier Robert Bourassa yesterday said he would not lead the Quebec Liberals in the 1994 provincial election, writes Robert Gibbons from Montreal. He will continue as premier until the party chooses his successor at a convention in January.

Mr Bourassa, 60, was premier from 1970 to 1976, returned to power in 1985, and was re-elected in 1989.

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● NEWS IN BRIEF

Curbs on
US banks
may be
eased

WASHINGTON, Sept. 15 (AP) — The US Senate passed a bill yesterday to ease restrictions on the ability of banks to do business across state lines. The bill, which would allow banks to operate in any state where they have a branch, was passed by a vote of 84-14. The bill is expected to be signed by President Reagan.

and sales near

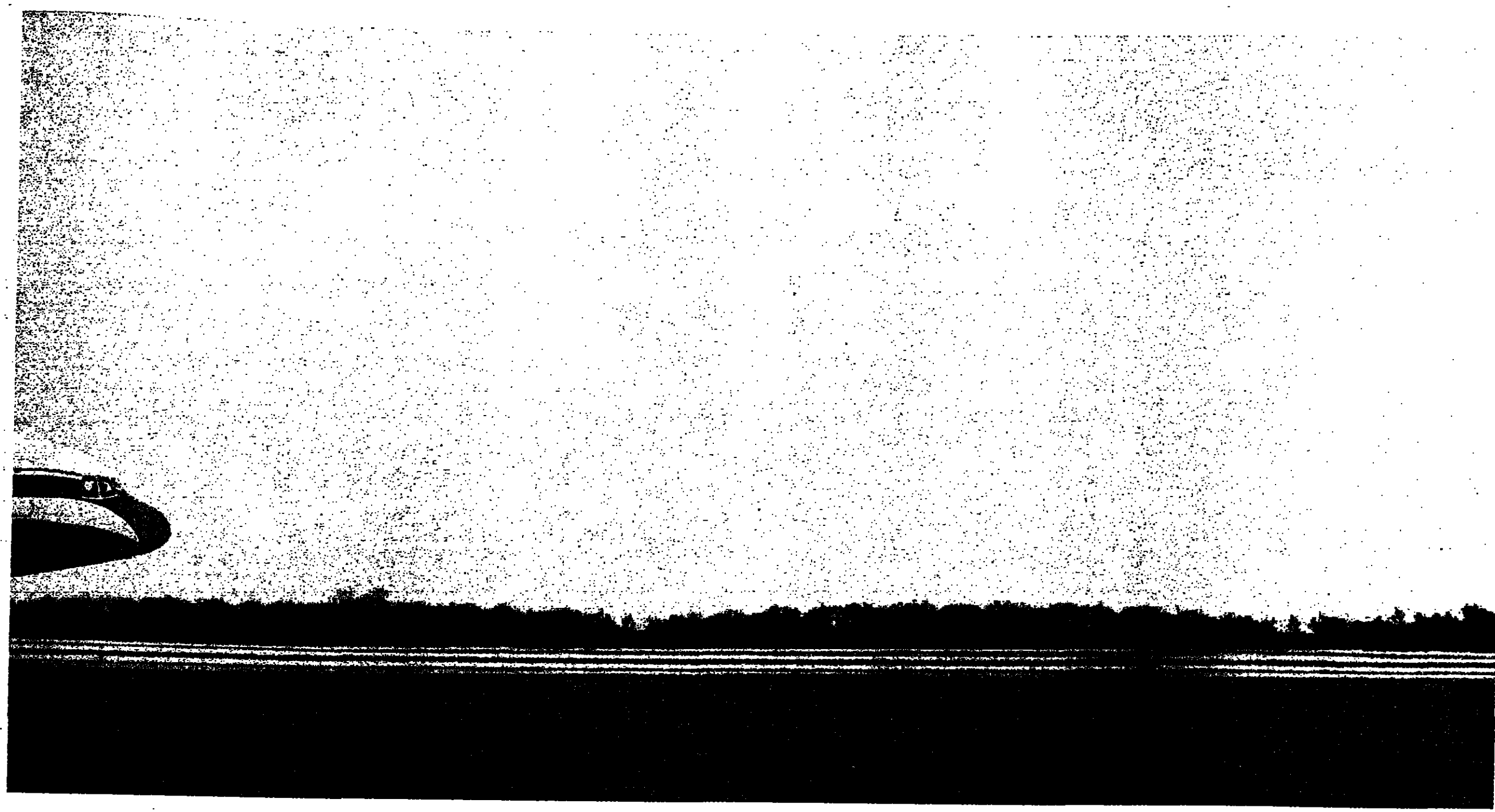
Ford and the Workers Union are working on a new contract. The union is demanding a 10% raise and better working conditions. The company is offering a 5% raise and no change in working conditions. The union is threatening a strike if the offer is not accepted.

the new president

the new president

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There's Only One Airline Good Enough To Carry The British Olympic Team.

NEWS: WORLD TRADE

New drugs lobby fights for reforms

PHARMACEUTICAL Partners for Better Healthcare, the organisation that commissioned the NERA survey, is a group of 40 of the largest pharmaceutical companies from around the developed world.

They have come together to lobby for reform of national health systems because of their fears that pressures on health budgets are undermining their businesses.

In many countries, short-term measures to cut health spending have included restrictions on prescribing branded pharmaceuticals and the use of new and expensive treatments.

Helping countries with structural reform of their health services appears to be the best way for the drugs companies to fight such restrictions and ensure a healthy market for pharmaceuticals in the future.

As Mr Henry Wendt, chairman of Pharmaceutical Partners, puts it: "We see our customers in difficulty and we want to help them get into shape."

Pharmaceutical Partners is anxious to avoid the charge that it is a short-term response to developments such as President Bill Clinton's health reforms and budget cuts in Germany. The NERA survey was commissioned in April 1992, before Mr Clinton had won the presidential nomination.

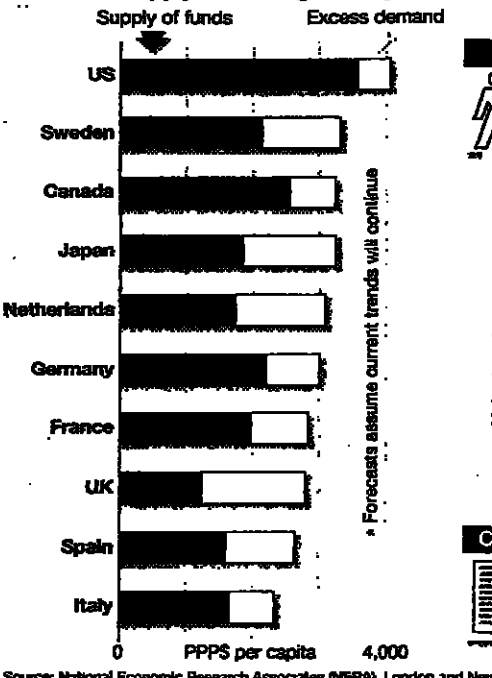
John Willman looks at an international survey by a new grouping of world drug companies

Health funds fall further behind demand

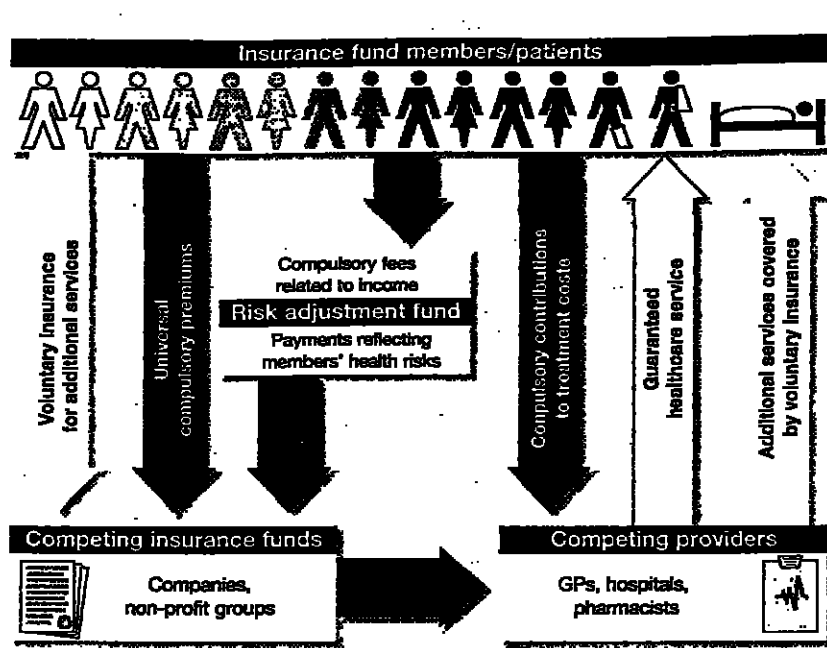
The pharmaceutical industry's diagnosis . . .

. . . and its prescription

Need and supply of funding in the year 2000*



Sources: National Economic Research Associates (NERA), London and New York



and more expensive types of treatment, and demographic change, with growing numbers of elderly people who use more health services.

The growth is faster than many countries think they can afford, according to the survey. Most of the 12 countries surveyed have launched reform programmes, but these are often deeply unpopular.

In many cases, countries are

resorting to short-term measures to curb the growth in costs. But piecemeal measures are often counter-productive, the survey says, since saving money in one sector often forces up costs elsewhere. Introducing charges for consulting family doctors, for example, will increase demand for hospital treatment if that remains free.

The survey argues that only

structural reforms, which should aim to create systems that provide incentives for doctors and patients to economise, will work in the long run.

On present projections, demand for health services will outstrip funding by between 2 per cent of GDP in the US and 9 per cent in the UK and the Netherlands, calculates the National Economic Research Associates.

the economic consultants who carried out the survey. The NERA survey identifies principles that should guide healthcare reform. These include compulsory competitive insurance systems which guarantee a basic package of health services.

None of the 12 countries provides a perfect model, according to NERA, though the ideal prototype partly resembles

reforms now being implemented in the Netherlands.

In the US, with its private insurance system, universal access to a basic package of health services is the key to reform, the survey says. For European countries with tax-funded health systems, such as Britain or Sweden, more competition is required to provide incentives for greater efficiency.

Mr Richard Rapp of NERA says: "There are many lessons to be learned from the experiences of other countries. But don't look to any of the countries for the answer."

Patient choice is an essential element in increasing efficiency. If an insurer fails to keep costs down, their members should be able to change to other, cheaper insurers.

However, patients should also be expected to contribute towards the cost of their healthcare to foster cost-conscious behaviour.

The role of governments is to set standards and define the range of services to which everyone is entitled.

While governments should not have a dominant role in financing or monitoring the system, they are the only bodies that can launch the legislative and administrative changes needed for structural reform, the survey concludes.

Financing Healthcare with Particular Reference to Medicines. NERA, 15 Stratford Place, London W1N 9AF. 16 vols: £150 (\$225). Summary: £15 (\$22.50). Individual country reports available separately.

Study sets out model scheme to close gap

THE pharmaceutical companies' study sets out the features of a healthcare system that could close the gap between demand for health services and the funds available to pay for them.

They describe this model as a prototype, which countries seeking to reform their health systems could work towards. At its heart is a basic package of health services, available to all regardless of their ability to pay.

Every citizen would be required to sign up for health insurance from competing insurers.

To stop insurers from selecting only the healthiest customers, they would have to accept all applicants.

Each individual would pay a two-part health insurance premium. The first, related to income, would go into a central "risk adjustment" fund, and redistributed to insurers, with more going to those with more unhealthy members.

The other part would be paid directly to the insurer by the member, as a sort of membership fee. Insurers would be allowed to set their own premium rates for the basic package, so the more efficient would be able to undercut their rivals.

The insurers would buy the services from competing healthcare providers such as hospitals, doctors and pharmacists.

Mexicans lower expectations in case US Congress rejects trade pact Salinas plays down NAFTA deal

By Damian Fraser in Mexico City

PRESIDENT Carlos Salinas yesterday played down the importance to Mexico of the North American Free Trade Agreement. In apparent response to concerns that the treaty might be rejected by the US Congress.

In a speech which appeared to have been written before US President Bill Clinton's strong endorsement of NAFTA yesterday, Mr Salinas said neither the treaty nor the side accords were a panacea. They would

not resolve Mexico's problems, and were just one element of the country's opening to the world economy.

The Mexican president was speaking as he signed the supplemental accords to the treaty. "No one will do for Mexico what Mexico does not do for itself," he said. "This is the truth, independently of the treaty and the accords."

The president now appears to be lowering the expectations of future wealth generated by NAFTA, which he helped build up, and preparing Mexico and foreign investors for the possi-

bility that the US Congress might reject NAFTA.

The speech was considerably less upbeat than one he gave after the side accords were concluded last month.

Mr Andres Rozental, deputy minister of foreign affairs, said: "It is evident that there is still a question of whether the US constitutional process will be finalised and that obviously has a bearing on the way the treaty is looked at." Congress is expected to vote on the trade pact later this year.

The president chose the signing to stress advances that

Mexico had made that did not depend on NAFTA. He said Mexico would probably join the Organisation for Economic Co-operation and Development before the end of next year, and would shortly sign a trade treaty with Venezuela, Colombia and Bolivia and a separate one with Central America.

"Mexicans", the president said, "are not waiting for the day that the treaty comes into force to redouble our efforts. We have already been working so that Mexico integrates more intensely with the world economy."

Brittan in Uruguay Round plea

By Nancy Dunne and Lisa Bransten in Washington

SIR Leon Brittan, EC commissioner in charge of trade, said yesterday Europe and the US would lose all credibility with other Gatt members if they could not reach agreement and conclude the Uruguay Round by the December 15 deadline.

"We have sufficient will and sufficient determination to proceed," he said, adding that the US had consulted widely with its trading partners before fixing the deadline with Congress. This refuted a French suggestion that the US had imposed the December 15 deadline on the rest of the

world and must therefore be held responsible if the round cannot be completed by that date.

Speaking at a Chamber of Commerce breakfast, on the Gatt, he suggested that the US-EC Blair House deal could not be approved until there was agreement on agricultural issues in the Uruguay Round as a whole.

Sir Leon brushed aside the question of whether French objections over the US-EC Blair House deal on agriculture will be allowed to sink the Round well before the final leg of the negotiations proceeds.

He said EC members could not formally agree to any part of Blair House until they

have a comprehensive package on agricultural issues through the Uruguay Round. "It is part of an ongoing process and at the end of the day nobody is asked to take a position until a whole deal is available."

"In setting [the deadline] the US consulted widely with the international community; we if anything argued for a slightly shorter deadline," he said.

He warned Americans that the US offer of tariff reduction proposals on apparel and clothing was insufficient. Japan and the newly industrialised countries must also improve their offers on financial services and agriculture and cut tariffs in sectors such as shoes and leather goods.

Old-style peasant rebellions

Alison Maitland explains the tradition behind French farm protests, and the way other countries' farmers make their feelings known

WHEN Mr David Evans, director general of Britain's National Farmers' Union, joined an international lobby organised by French farmers against the US-EC farm trade deal in Strasbourg last December, he was wounded in the leg by a rocket fired by a French protester.

It was symptomatic of a clash of tactics. While French farmers try to blockade Paris today in the latest show of force against the Blair House agreement, their counterparts in Britain and other EC countries, will be trying to win the minds of their politicians.

The scenes from French television are familiar - burning tyres, blocked railways, streets piled high with potatoes, truckloads of mud dumped outside government offices, bloodied farmers clashing with riot police. In countries such as Greece, Ireland and Portugal, the agricultural sector contributes far more to GDP and employs a much larger percentage of the workforce - yet it is French farmers who always steal the headlines with their high-profile protests.

That is partly because France is the EC's main agricultural powerhouse and the world's biggest farm exporter after the US, giving it the strength to make or break the Uruguay Round.

But French farmers are able to pursue the tradition of *jacquerie*, or peasant revolt, which goes back to the 14th century, because they have so much domestic support. Today's planned demonstration is by Co-ordination Rurale, a splinter group which broke with the main FNSEA union in 1991, saying it was too moderate.

"There's a large amount of public sympathy for the rural interest, which you don't get to the same extent in other EC countries," says Mr Brian Gardner, director of EPA Associates, a Brussels-based agricultural consultancy. "The French have a quasi-religious attitude to food and the rural sector... there's still a tremendous tolerance of the poor, underprivileged peasant as the urban majority sees him."

The proportion of the workforce engaged in agriculture has fallen from 22.5 per cent in 1960 to just 6 per cent today, but that is still three times the



Old French customs: wine producers from Béziers burn Italian and Spanish grapes in protest at EC import regulations

level of Britain. There are few French families who do not have a relative working on the land or own a rural retreat.

French farmers take to the streets before important EC councils like the one which will bring foreign and agriculture ministers together to discuss the US-EC draft farm trade deal next Monday. "It's part of the theatre, of creating the right atmosphere to get what they want," says Mr Gardner. "They have tacit support from the government because of the tenderness of the political relationship."

Most French farmers vote for the right, but there is a strong Communist constituency in the south and the Socialists also have farming support in areas such as Brittany. No

party can afford to ignore them.

Yet the more peaceful lobbying tactics used by farmers in other leading EC countries are arguably just as effective.

As in France, the farming vote is pivotal in Germany, whose government's stance on

French farmers, who will today try to blockade Paris, risk "isolation" within French society if they disrupt the life of their fellow citizens, Mr Jean Puech, the country's farm minister, warned yesterday, writes David Buchanan from Paris.

But Mr Philippe Arnaud, a leader of the hardline Co-ordination Rurale which is mounting today's protest, claimed yesterday his organisation was trying to bolster, not thwart, government demands for a better deal for French farming.

"We just want to show that there are some Robin Hoods determined to defend their way of life," he told Le Figaro newspaper.

French demands for a renegotiation of Blair House will be crucial. The Christian Social Union (CSU), the Bavarian Kohl's CDU-led coalition, has significant backing from farmers in its southern German power-base and their demands must be taken into account.

The German farmers' union, which claims to represent more than 90 per cent of farmers, occasionally launches street demonstrations. But like

Britain's NFU, it prefers negotiation.

Big protests win little public tolerance in Germany. On the other hand, many smallholders in western Germany also have jobs in factories, increasing support for farming interests in urban communities. Farmers account for 3-4 per cent of the workforce in western Germany, and some 38 per cent are estimated to be part-timers.

The German farm lobby has been effective at getting a good deal out of the CAP and the German government, says Prof Wyn Grant of Warwick University, an expert on farming lobbies. "They've relied on their links with the political parties, particularly the CSU and the FDP, and with civil servants behind the scenes."

He points out that the EC's "green money" system has until now worked in their favour, preserving them from cuts in Ecu-based farm prices which would normally have resulted from the strength of the D-Mark.

The NFU in Britain is one of the country's most powerful pressure groups. Its president has constant access to the agriculture minister and ministry officials studiously consult producers whenever new proposals are on the table. British farmers traditionally vote Conservative and links with the party are close, although support has been ebbing away to the Liberal Democrats in the last couple of years.

The union prides itself that its style of lobbying forced changes to the CAP reform proposals which would have put England's large farmers at a particular disadvantage.

The NFU has rejected confrontation partly because it already has a struggle maintaining a good public image. Farmers, for all their protests to the contrary, are still popularly regarded as wealthy landowners. Improving their public standing, for example by supporting a Gatt deal even though it will cause farmers further pain, is seen as even more vital now that CAP reforms are making the size of EC support payments more transparent.

Nonetheless, today's anti-Gatt demonstration around Paris will be watched closely by farmers both in the EC and in the US.

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BUILDING THE WORLD OF TELECOMMUNICATIONS

Study sets out model scheme to close gap

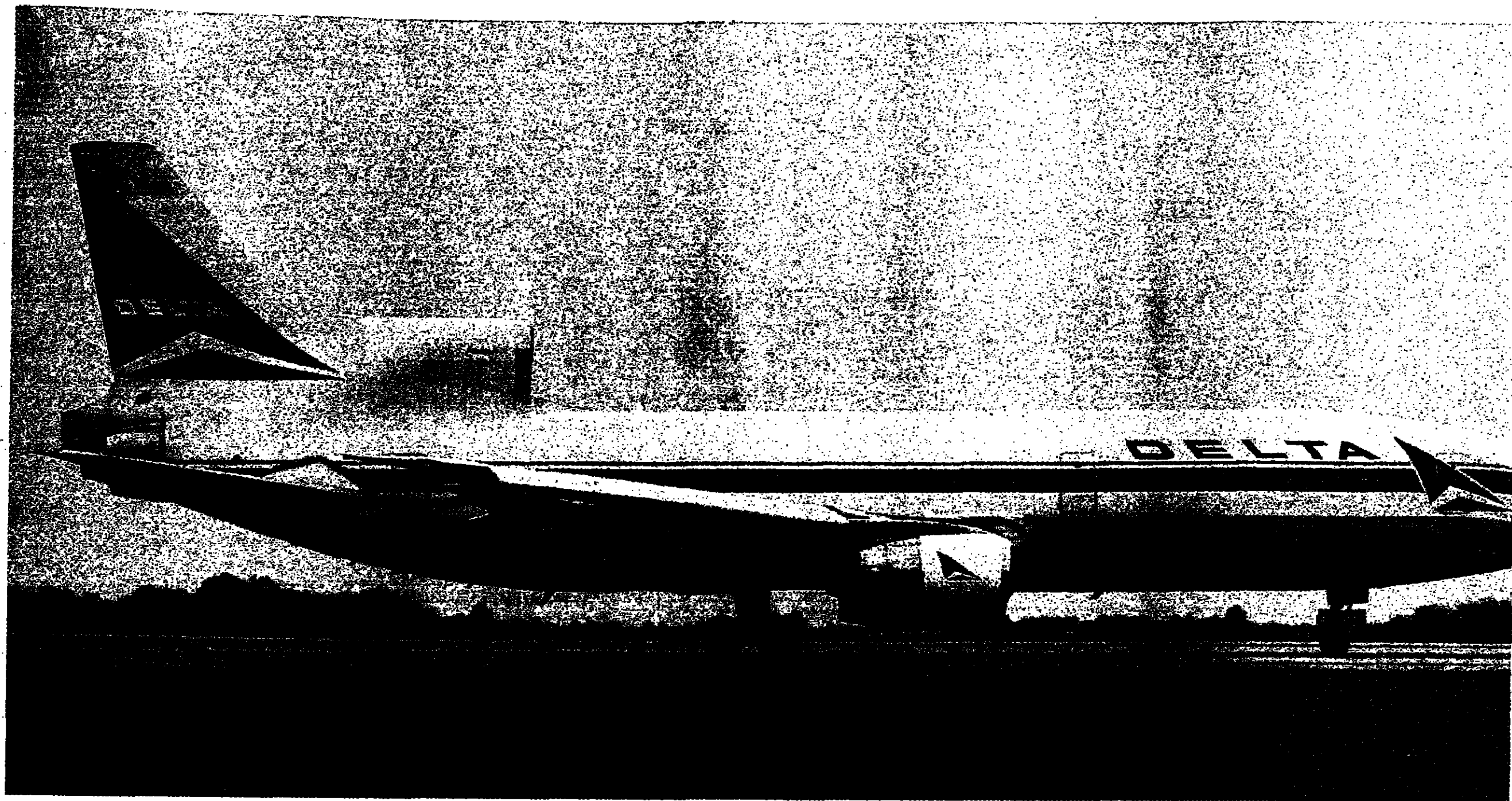
THE pharmaceutical industry has set out the first model of a health care system that would use competitive tendering to close the gap between the demand for health care and the funds available to pay for it.

The model, which is set out in a report by the Health Economics Research Group, would be a first step towards a health care system that would be able to pay for the health care it needs. The model would be a first step towards a health care system that would be able to pay for the health care it needs.

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NEWS: UK

Bock joins Palumbo in developing City site

By Vanessa Houlder and Roland Rudd

THE 35-YEAR struggle by Lord Palumbo to build on one of the City of London's most prominent sites - opposite the Mansion House and close to the Bank of England - came to an end yesterday.

Lord Palumbo, chairman of the Arts Council, the UK's umbrella funding organisation for the arts, and Mr Dieter Bock, the German financier who is joint chief executive of Lonhro, yesterday announced a joint venture to develop the site.

The plot, which has the official address of No. One Poultry, is now occupied by buildings which are listed as of architectural merit - including the well-known Mappin & Webb building.

The deal marks the beginning of a new phase of speculative development in the City of London, which is starting to stabilise after suffering one of the fiercest downturns of any

property market in the country. "The recession has turned the corner," said Lord Palumbo.

The plans for the site have been opposed by conservationists including Prince Charles who described Sir James Stirling's design as a "1930s wireless set".

But the Corporation of London, the local government authority in the area which in the past opposed the project, has indicated its consent.

Mr Bock has personally acquired 50 per cent of the site. Advanta, the Frankfurt-based property company of which he controls 80 per cent, will provide the funding and undertake the building's project management.

Lord Palumbo said he was introduced to Mr Bock at the beginning of the year by a mutual friend who knew they shared a passion for the architecture and the arts. "We had an immediate rapport," he said.

The two men immediately

decided to go into partnership but delayed their announcement until they had received the support of the corporation. "They took the view that it would be absurd to keep challenging the development," said Lord Palumbo.

Mr Bock said he was delighted that all the legal hurdles had been surmounted. But Lord Palumbo was more circumspect. "It's as if you are leading one, but you cannot afford to relax in the last two minutes of the game."

The construction of the building, which will have 125,000 sq ft of offices and 25,000 sq ft of retail space, is expected to start next April or May and will be completed in 1996.

The building is on a triangular site bounded by Poultry, Queen Victoria Street and Sise Lane, facing the Royal Exchange and adjacent to the Bank of England and the Mansion House.

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The Duke of Edinburgh speaking yesterday at a mass held in an Anglican church in Newark, central England, to mark the return to Poland of the remains of wartime leader Gen Wladyslaw Sikorski

Britain in brief



Motorways poll finds low score for UK

Only two per cent of European drivers think UK motorways are the best in Europe, according to a survey commissioned by European Inter-ent UK, the vehicle rental company. The poll, by ISO Group, questioned 7,000 drivers in Belgium, France, Germany, the Netherlands, Italy, Portugal, Spain, Switzerland and the UK.

Only the motorways of Portugal won less support than the UK with just 1 per cent voting them the best.

Almost half those questioned thought Germany's autobahns were the continent's finest motorways, followed by the French system on 21 per cent. Two thirds of all Europeans questioned felt that the British should drive on the right, while one in three drivers in the UK agreed.

Tax concession on UK homes

The Inland Revenue issued an extra-statutory concession to ensure that most people who work overseas will not be subject to tax simply because they have a house in the UK. The amendments will apply during the tax year 1992-93, and reflect changes announced in the budget. They cover the period before the new regulations came into force.

Gummer call on recycling

Businesses must be prepared to pay for more recycling of packaging, Mr John Gummer, environment secretary, told businessmen.

At a meeting with 26 British companies to discuss progress towards government recycling targets, he also called for "immediate action to safeguard the recycling of plastics, paper and board threatened by subsidised foreign imports".

The growth of recycling in several European countries has been handicapped by the overflow of unwanted recycled packaging from Germany. Following the financial plight of the German schemes, the UK government announced that it would consult industry carefully before committing itself to a policy.

Mr Gummer has told industry leaders that he wants them to prepare a plan by Christmas to allow Britain to recover between 50 and 75 per cent of packaging waste by the end of the decade.

MPs 'against more aid cuts'

Mr Martin Griffiths, director of the charity Actionaid, claimed that any further cuts in Britain's overseas aid budget would be "out of line with the feelings of the majority of MPs".

He said this had been established by the views expressed by 100 MPs in a survey conducted by Gallup.

BT union urges pay action

The National Communication Union, the main BT union, is to ballot its members over industrial action, following rejection of a 1.9 per cent pay offer from BT. The offer, described by BT management as "final", covers 118,000 engineers and clerical workers. The ballot result is likely to be announced at the end of October.

Cadbury code delayed

Leading companies agreed with accounting standards setters on delaying the implementation of parts of the Cadbury code of corporate governance. Directors have been concerned about the level of disclosure which they will have to make under the code and said that they had been given insufficient time to respond to the guidelines.

Sir Ron Dearing, chairman of the Financial Reporting Council, was last night still trying to seek approval for a new timetable from Sir Adrian Cadbury, who chaired the committee on the financial aspects of corporate governance.

Caution greets industry output rise

By Emma Tucker, Economics Staff

MANUFACTURING OUTPUT bounced back in July after falling sharply in June, but changes to the way in which the figures are compiled cast doubt on the strength of growth so far this year.

In July the monthly rise in manufacturing output was 0.7 per cent following a sharp 2.1 per cent fall in June. Compared with the same month a year ago, output was 1.7 per cent higher.

Manufacturing output is still growing faster than other sectors of the economy and remains well above last year's levels. But a new series of statistics from the Central Statistical Office shows that manufacturing growth in the first half of the year was much weaker than previously reported. Figures rebased to 1990 show that output grew by 1.2 per cent and 0.6 per cent in the first and second quarters of this year against 2 per cent and 1.4 per cent under the old series.

However, a drop in production towards the end of last year was not as steep as previously recorded. Compared with a year before, the growth rates for the first six months of the year were revised only slightly downwards.

Confirming the flat profile of output since January, the latest figures show that, in the three months to July, manufac-

turing output grew by 0.1 per cent compared with the previous three month period. It was the lowest quarter-on-quarter gain since the three months to January. However, output was up 2.3 per cent compared with the same three months a year before.

The CSO said the changes to the manufacturing figures would not have a big impact on GDP. While they may change the quarterly profile of non-oil GDP, the strength of manufacturing output on a year-on-year basis means the changes are unlikely to alter greatly the recent trend of steady growth.

The monthly rise in manufacturing output was concentrated in investment goods. Output of this category rose by 1.5 per cent compared with June when it dropped by 2.9 per cent. Output of consumer goods, which was flat month-on-month, rose 0.3 per cent in the latest three months compared with the same three months a year ago.

The strongest manufacturing industries were textiles, leather and clothing, coke, petrol and nuclear fuels. Food, drink and tobacco and chemicals suffered the sharpest quarter-on-quarter drops.

Mining and quarrying, which under the new series no longer counts as manufacturing, grew by 8.3 per cent compared with the latest three months.

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Families to sue over baby foods

By Tim Burt

SOME OF the biggest manufacturers of baby foods are about to face legal action over the sugar content of children's drinks in one of the largest multi-party compensation claims filed in Britain.

A High Court judge is expected to begin considering the case shortly against Smith-Kline Beecham, Boots, Cow and Gate, Milupa and Robinsons following legal submissions by solicitors representing more than 700 families.

A steering group of solicitors acting on behalf of 90 law firms said yesterday that all the families had been granted legal aid to pursue the claims, which allege that the products were defective and that the companies acted negligently in failing to print labels warning of high sugar contents in drinks designed for babies.

Potential damages could run into millions of pounds, according to solicitors who warned that the total number of family claimants could exceed 1,000 by the time initial court hearings begin. The companies involved yesterday denied legal liability for any dental prob-

lems among infants and pledged to contest the action.

Smith-Kline Beecham, which manufactures Baby Ribena, said it was aware of the pending proceedings but had not yet received writs. The labelling of Baby Ribena had been altered recently, the company added, but it denied the decision was linked to the legal action.

The action is supported by professional health groups including the Health Visitors' Association and the Royal College of Midwives which are concerned at the incidence of dental disorders linked to high-sugar drinks.

Announcing their decision to proceed with the action yesterday, the solicitors' steering group - comprising partners from three firms based in Liverpool and one in Birmingham - said they had met barristers in London earlier this week to plan their case against the manufacturers.

Mr Graham Ross, a partner at Liverpool-based solicitors J Keith Park & Co, said: "This could be a massive claim involving thousands of people by the time it gets to the High Court."

MPs 'against more aid cuts'

Mr Martin Griffiths, director of the charity ActionAid, claimed that any further cuts in overseas aid would be 'out of line with the wishes of the majority of the public'.

BT union urges pay action

The British Telecom union has agreed to a pay rise of 3.5% for its 100,000 members. The union's president said the offer was 'a significant improvement on the industry average'.

Embassy code delayed

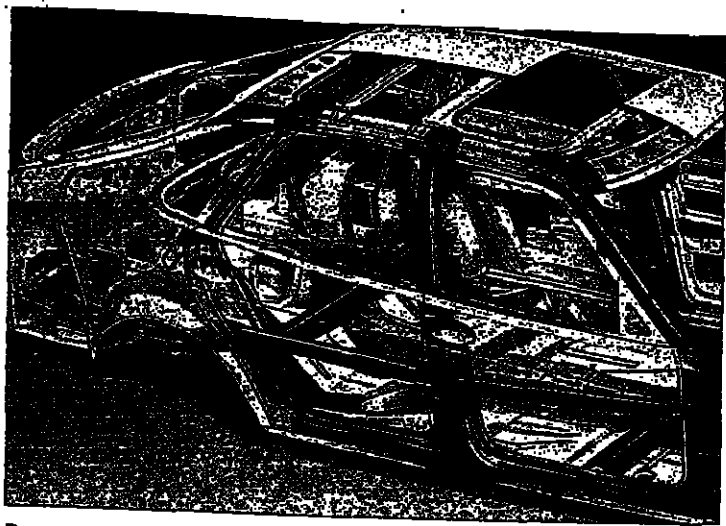
The British government has agreed to a code of conduct for its overseas embassies. The code will cover areas such as security, staff, and facilities. It is expected to be implemented in the near future.

Greets output rise

The output of greeting cards has risen by 10% this year. The industry is expected to continue to grow in the coming years.

to sue foods

A group of people have decided to sue a food company. They claim the company's products are harmful to health.



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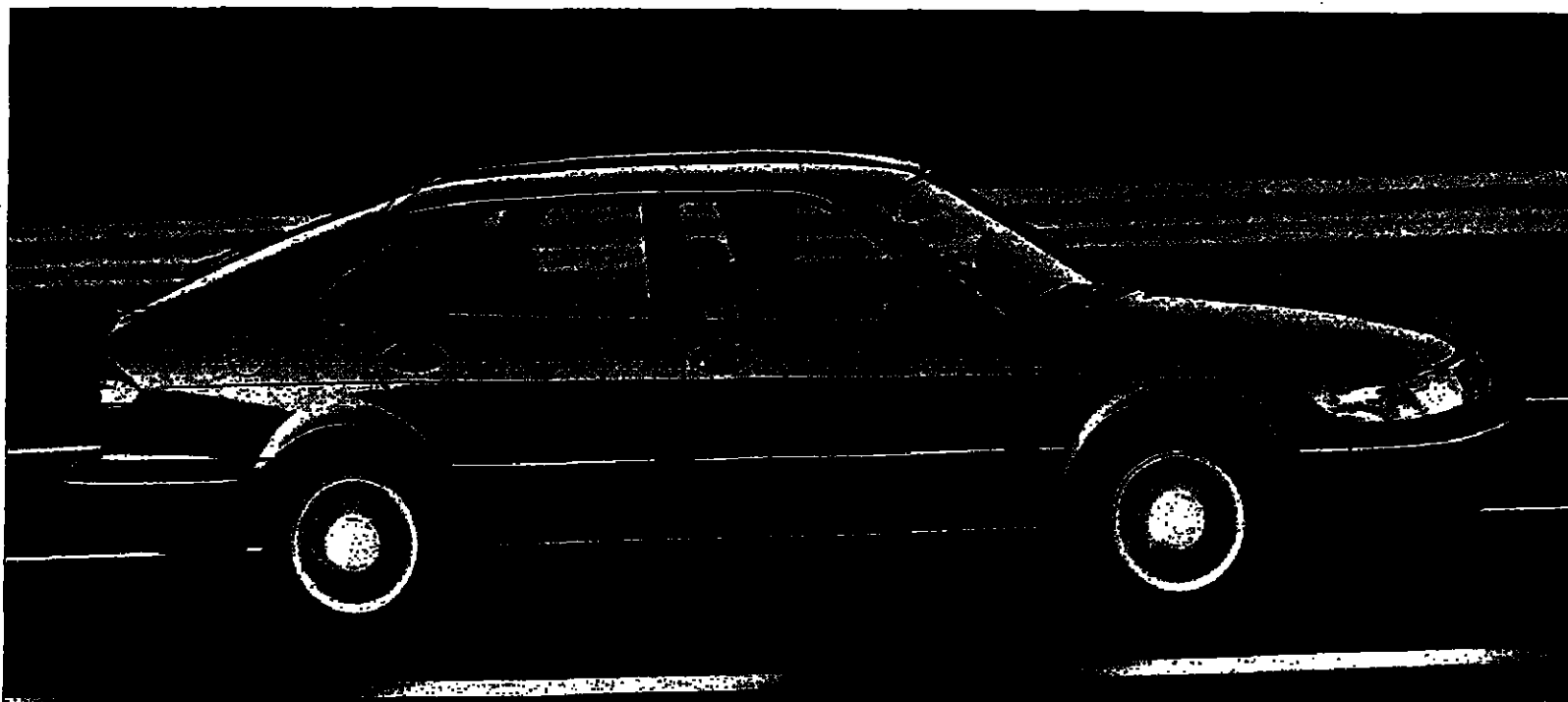
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*Centre head restraint is an option

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NEWS: UK

Unions threaten 'chaos' over tight pay curb

By Kevin Brown,
Political Correspondent, and
David Goodhart, Labour Editor

LEADERS of Britain's 5m public-sector workers threatened widespread industrial action yesterday after Mr Kenneth Clarke, chancellor of the exchequer, announced a virtual freeze on pay and warned that job losses would follow "excessive" settlements.

Mr Alan Jinkinson, leader of Unison, the biggest union, said

the government "should be in no doubt that it faces enormous industrial chaos and unrest".

Mr John Monks, TUC general secretary, called an emergency meeting of public-sector unions to co-ordinate protests. The TUC also demanded an urgent meeting with Mr Clarke.

In a statement to the pay review bodies, which make pay recommendations for 1.4m public sector workers, the chancellor said 1994-95 pay increases

must be funded by productivity improvements.

He said the government salary bill would be frozen at 1992-93 levels to force departments to set pay "at levels no higher than necessary" to retain and motivate staff.

"We have to break the inflation psychology that in the past has led to expectations of pay increases every year unrelated to efficiency improvement or the ability of the employer to pay," he said. Mr

Clarke also warned the pay review bodies that the government will refuse to dip into its contingency reserve to finance pay settlements regarded as excessive.

"Higher pay costs not funded by efficiency savings would therefore lead to reduced spending on services or reduced employment in the services and professions concerned," he said.

The announcement places a question mark over the future

of the pay review bodies, which were set up 12 years ago to distance the government from sensitive sectors such as nurses and the armed services. It also means that the government is prepared to face the political impact of job losses flowing from cash limits, which ministers believe could be blamed on the unions.

The government's aim is to prevent a round of "catch-up" pay settlements following the end of its 1.5 per cent ceiling

on public-sector pay in 1993-94. However, the announcement is also intended to mollify right-wingers angered by Mr Clarke's insistence that tax increases remain an option for the November Budget.

Mr John Smith, leader of the opposition Labour party, said it was "wholly unfair of the government to seek to penalise teachers, nurses, firefighters and others in the public sector to pay for their own economic mismanagement".

Chancellor warns against rush back to old-style EMS

By Peter Norman,
Economics Editor

MR KENNETH CLARKE, the chancellor of the exchequer, yesterday warned EC countries against rushing to recreate the European Monetary System as it existed before the August currency crisis.

In the first extended discourse on future EC affairs given by a British minister since the near collapse of the European exchange rate mechanism, Mr Clarke called on the community to adopt economic and monetary disciplines that were "realistic and take account of the lessons from the recent past".

Delivering the Swiss Bank Corporation annual lecture in London, he said the EC's future economic discussions should be guided by three basic principles:

- Free markets and free trade, including the need to complete the single market and complete the Uruguay

Round of trade liberalisation talks.

- Sound budgetary policies to keep real interest rates down to levels that would make investment attractive.

- Price stability with monetary policies in each member state geared to ensuring that the EC is a zone of low inflation.

These principles - clearly based on UK policy since the exit of sterling from the ERM a year ago - were, he said, the right way to achieve greater convergence of economic policies while making the community competitive with the outside world.

His opening words, which referred to European union instead of the EC, were unlikely to endear him to Euro-sceptics. "Britain," he declared, "will be a member of the European union for the foreseeable future."

But he depicted the Maastricht Treaty as having broken the "federal mold" for the EC.

Officer Binch calls inquest on Bodvoc treasure

By Jim Kelly

A TREASURE hunter who found a horde of Iron Age coins buried in a field in central England will have to wait for one of Britain's most ancient institutions to decide who can keep them.

Modern technology, in the form of a metal detector, unearthed the seven gold and 977 silver coins of the 1st century AD. But it will fall to a jury in a court led by a coroner, whose office dates back to 1194, to decide if they are "treasure trove".

The coins, some bearing the name of Bodvoc, a local ruler of the Dobunni tribe who reigned from AD 40 to AD 47, are in Worcester police station and will today be taken to the British Museum in London for evaluation.

Meanwhile Mr Richard Binch, the coroner's officer, is preparing to call a jury to attend at Worcester Magistrates Court in about two months. There the coroner will ask for evidence from the finder, archaeologists and historians.

The question will be a simple one for the jury. Was the horde buried in a bag by a Briton 1,900 years ago as the Roman invasion spread panic across the country? Or was it a freak loss which lay discarded for nearly two millennia?

If the verdict is that the horde, variously valued at

between £1m and a more sober £45,000, was hidden, then it is "treasure trove" and is Crown property. A museum would then compensate the finder at market value. But if the jury decides that the coins were lost then the owner of the land, who in this case gave permission for the treasure hunter to cover his fields, would become the owner of what Hereford and Worcester Council believes is a find of "national importance".

For the coroner, Mr Robert Davies, the hearing, known as an inquest, will provide fleeting publicity. But for Britain's scattered coroners the history of their office has been one of gradual erosion of powers.

Coroners protected the fiscal rights of the Crown, which included acquiring the goods of convicted murderers and money raised in fines. The office of coroner therefore originates with investigations of violent death, and today the main duty of the coroner is still to inquire into unnatural deaths.

Coroners also investigate finds of buried treasure. All finds of gold and silver coins are supposed to be reported to a coroner. But many finds go unreported in the modern mania for metal detecting.

Luckily for archaeologists, the Bodvoc find is an exception. Now the site may yield further evidence of Britain before the Romans.



Coroner's officer Richard Binch examines the horde of ancient gold and silver coins found in a field

Barclays to make 500 forced job cuts

By Andrew Jack

BARCLAYS BANK said yesterday that 500 staff in London and the south-east were likely to lose their jobs in the first compulsory redundancies in its branch network.

It said that as many as 800 staff in the region were "surplus" to its needs and that much of the reduction it wanted could not be met through its voluntary redundancy programme.

Mr John Cotton, Barclay's personnel director, said: "This is something we all sought to avoid but it is justified by the needs of the business and we have to face up to it. We feel great regret but these jobs are lost forever."

Barclays said most of the reductions were not related to the recession, but to a longer-term process of restructuring which required fewer staff.

They were part of a plan for reducing staff by 18,000 over five years from the start of 1991, of which London and the south east were most affected.

But Bifu, the Banking Insurance and Finance Union, condemned the losses yesterday and said the announcement had "come out of the blue".

"We are totally opposed to compulsory redundancies on principle," Bifu said. "This announcement shows that nobody in Barclays is safe in 1994."

Murdoch scraps ad sheet after one issue

By Raymond Snoddy

MR RUPERT MURDOCH'S News International has suspended publication of its Shoppers' Friend newspaper insert after only one issue.

Shoppers' Friend was a free-standing insert containing only discount coupons for supermarket products and paid for by advertising from the companies offering the discounts.

Such coupon booklets are big business in the US and News International decided 18 months ago to try to introduce the concept into the UK.

The eight-page Shoppers' Friend that appeared in April was carried in two Murdoch titles, the News of the World and The Sunday Times. It also appeared in The Mail on Sunday, published by Associated Newspapers.

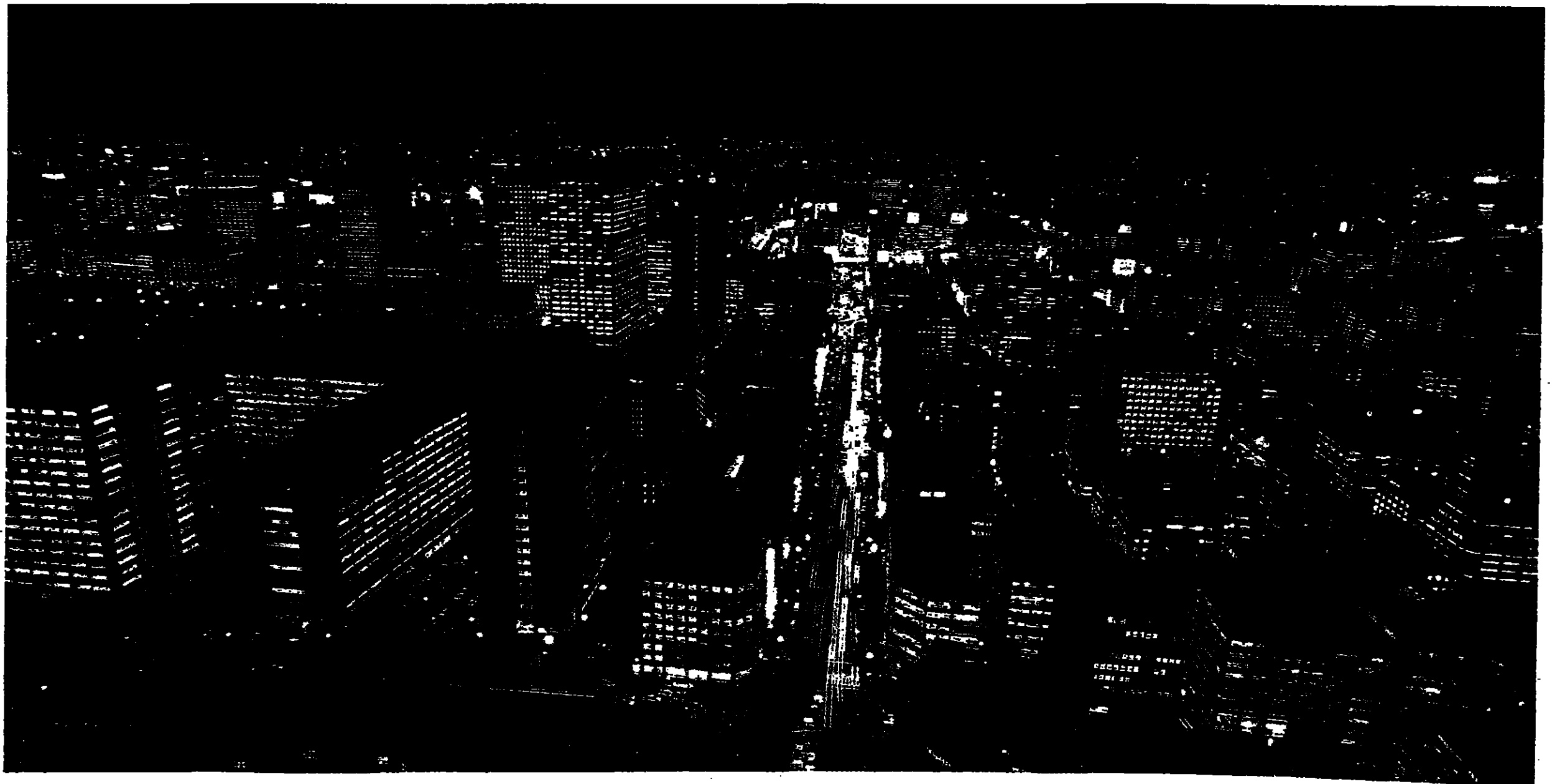
News International yesterday

day blamed the recession for the failure as well as widespread problems on redeeming the discount coupons.

News International found that many supermarket staff were simply accepting the coupons without making sure customers had bought the products involved. News International declined to say yesterday how much the venture had lost.

Meanwhile in the US Mr Murdoch's News America is being sued by Sullivan Marketing, the coupon free-standing insert subsidiary of Sullivan Communications.

The company alleges that News America and Valassis Communications, 49 per cent controlled by Consolidated Press Holdings of Australia, have indulged in "improper and anti-competitive business practices."



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this complex industry and today holds a world-class position. Natural gas has therefore become a strategic focus for the Group, and it is not just by chance that in this rapidly expanding industry, TOTAL is poised to become a key player. **TOTAL BY NAME. TOTAL BY NATURE.**



Tomorrow's mandarin will, if the Treasury has its way, get their hands dirty at least once in their civil service careers.

Sir Terence Burns, the permanent secretary, has decreed that the best move a Treasury high-flyer can make is not up, but out. After a decision taken at the Treasury Management Board this summer, high-flyers between grades three and seven are destined to leave the Whitehall cocoon, enter a private-sector company and spend a couple of years learning about life at the sharp end of economic policy.

After the spell outside, the Treasury expects its secondaries to resist the lure of better pay and return freshened enough to "import ideas and challenge the orthodoxies of internal management as well as its policies".

The scheme could certainly help salvage the relationship between the Treasury and business: the department acknowledges criticism that its officers have rarely left the ivory towers of Whitehall to experience the constraints and pressures of the wealth-creating sector.

But do managers feel their companies - who will, for a start, have to reimburse the government for the salaries of the secondaries - gain quite so much from the scheme as the Treasury expects?

While Sir Terence's office has been bombarded with letters of interest since the FT reported his decision, a minority are openly sceptical.

The reaction of Charles Drace-Francis, the government affairs director of British Aerospace, is all the more surprising because he is enjoying an extended secondment from the Foreign Office.

"What on earth makes the Treasury presume that in the middle of a recession, after we've sacked 7,200 people and about to sack 2,000 more, that its people are wanted?" he demands.

He is clear, however, about the benefits diplomats can bring business. "We know how to negotiate, and we know how to report. A production engineer never writes anything down. If told to make a table, he would never question whether it had to have four legs."

John Emmings, of the Federation of Small Businesses, accepts that it is a "step in the right direction" if only because civil servants, government and banks seem to know so little about business.

Beyond that, he doubts the scheme will have the desired effect as civil servants are too set in their preconceptions to learn much from the private sector.

Sir Ian Wrigglesworth, the deputy chairman of Livingston Group, the industrial mini-conglomerate, also has his doubts. "It all depends on the firm. Small, and medium-sized



Sir Terence Burns, permanent secretary to the Treasury: the best move is out not up

Escape from the ivory tower

Rachel Johnson reports on a Treasury scheme to allow high-flyers to stretch their wings in the private sector

businesses are pretty lean and would get very little short-term benefit from installing a civil servant and training him up to see what the company is all about," he says.

Others see more mutual benefits - and are keen to grab a mandarin as soon as possible. Michael Corrigan, the secretary of the Association of British Insurers, says the ABI held an immediate board meeting to discuss how member companies might secure civil servants. Since the Financial Services Act, he points out, the Treasury regulates life assurance companies and they are, naturally, keen to put their points to the regulators.

The Prudential confirms its approval of the scheme. "We've always maintained informal links with Whitehall but the secondments would definitely help us learn a bit more about how the civil service operates," it says.

On the whole, though, managers think that it is far more important for civil servants to learn a bit more about them. John Parsons, founder of Time and Data Systems, the secu-

city-card manufacturer in Dorset that employs 50 and turns over £3m a year, supports the scheme. "It's immensely valuable for people to get inside information, particularly about small and medium-sized businesses because they are overburdened with bureaucracy and regulation," he says.

Hugh Morgan Williams, the chairman of Canford Audio, the Tynes Wear-based manufacturer of professional audio equipment, says he would welcome a civil servant - but would want a "matchmaking service" to operate.

"I'd like someone involved in industry or economic planning - not the Health Service or the Highland Development Board," he says.

Most important to the company, with its annual turnover of £8m and staff of 85, would be the chance to show the man from Whitehall the "civil service-related problems" it is currently dealing with - filing intrastar returns for the Central Statistical Office's trade figures; and interpreting standards to comply with the EC's Byzantine Electro-

magnetic Compatibility Directive. It seems clear that industry, for its many reasons, is keen for the Whitehall secondments to take root.

The Treasury's personnel department will be working overtime on a number of complex aspects: negotiating with staff and companies about who should go where and for how long; ensuring that departmental cover is adequate; but also more delicate questions of civil service confidentiality.

Collective memory still rankles about the Treasury economist who left in the 1980s to become a glib economist at a merchant bank, having been privy to key information about how the government calculated the public-sector borrowing requirement.

So the set of rules about releasing sensitive Treasury staff - which dictates that a certain amount of time has to elapse before the officer leaves to do comparable work outside - is likely to apply to secondments, too. Companies keen to bend the right Whitehall ear are not likely to get it on their books.

Carol Cooper offers advice and remedies to help tackle the symptoms of jet lag

Plane sailing for the business traveller



HEALTH CHECK

FEW air travellers are lucky enough to escape jet lag. Its familiar symptoms include fatigue, disorientation, drowsiness, difficulty concentrating, headache, indigestion and loss of appetite. A variety of sometimes unusual remedies have been used for the condition, but you do not need to go in for aromatherapy or drinking your own urine to combat its effects.

Fairly obviously, jet lag is caused by a mismatch between the external time and the circadian rhythm of your body clock.

The clock is regulated by hormones: by day, high levels of adrenalin, cortisol and other hormones are produced. By night, melatonin is secreted by the pineal, a small gland at the base of the brain, which Descartes took to be the seat of the soul. In studies, melatonin capsules, taken at times when the hormone "should be" naturally released, have been shown to reduce jet lag. However, more work is needed, and the treatment is not yet available for general use.

Logic tells us that environmental cues such as light, meals and social rituals have an important effect on circadian rhythms, and recently physiologists have confirmed that this is so, although they prefer to use the term *zeitgeber* (time givers) for these environmental factors.

Left to its own devices without any *zeitgebers*, the human body actually prefers a daily period of 25 hours. This has practical implications. It is easier to shift the body clock backward rather than forward, and jet lag is usually worse when travelling eastward. If you are off to the Antipodes, try gradually delaying, instead of advancing, your activities by 12 hours.

For recovery from travel, one should ideally allow a day for each time zone crossed, but business travellers rarely have that kind of time. Fortunately simple measures

help. On the aircraft adjust your watch to the new time and take plenty of rest, especially on east-bound flights - symptoms of jet lag are exacerbated by sleep loss. If you have any short-acting sleeping tablets, this could be a good time to take one.

Otherwise consider travel sickness pills, which usually have a sedative effect and can be chosen according to the length of the journey. Kwells and Joy-Rides work for four hours, while Dramamine and Stugeron last eight.

Alcohol dehydrates, so during the flight avoid the free champagne and try to average at least one soft drink an hour.

Constipation may make abdominal symptoms worse; it is worth getting enough fibre.

Try to schedule meetings for the morning (local time) when in the US and for the evening (local time) when in Japan

Once at your destination, *zeitgebers* become more important.

The minute he disembarked, one executive from the US was dragged by his hosts to Battersea Park fun fair. He described it as horrible at the time, but later reported that he was less affected by jet lag than on previous trips. Bright light is the most important time-giver of all.

Ordinary, indoor lighting can work, but strong, outdoor light is better and may explain why those who spend more time outside adapt more quickly to changes in time. The body clock can be advanced by bright light between 5am and 11am, and delayed by light between 9pm and 3am. Exercise plays a part, too, so if possible take a brisk walk outdoors in the sunshine first thing in the morning. Bioclock is an electronic device to help synchronise activities with time changes. It costs around £49.95 from Innovations or from Medical Technology International.

(Tel 031 220 4568).

If you cannot adjust to local time, plan carefully. Try to schedule meetings for the morning (local time) when flying to the US and for the late afternoon or evening (local time) when in Japan. An important presentation may work as a *zeitgeber*, but can be a business disaster.

There are other complications of air travel. Cabin pressure is only about the same as pressure 6,000 feet above sea-level. The resulting slight lack of oxygen can pose problems for passengers with heart disease, anaemia and severe asthma. For most travellers, however, the only adverse effects are on the sinuses and the middle ear. Ear ache or facial pain can last for days and could ruin a trip. If you have had a recent cold, ear infection, or sinus trouble, sucking a sweet during ascent and descent helps keep Eustachian tubes patent. Those who have not packed sweets should indulge in yawning.

Blood flow in the legs can get dangerously sluggish on long flights, with thrombosis as the occasional result. Even in Club Class it is worth walking around from time to time, keeping the feet moving and avoiding tight socks and crossed legs.

Recent studies show that in-flight entertainment headsets can act as a breeding ground for bacteria. It seems to be up to individual airlines to decide whether to discard, sterilise or re-use headsets, and while no harm has been known to come from headphones, this could be just a matter of time.

The effect of airport trolleys is in less doubt. First reported in the British Medical Journal, airport assault syndrome is damage to the Achilles tendon from the use of luggage trolleys as battering rams. Various tendon injuries have been described, the exact disability depending on the design of the trolley and the ferocity with which the other passenger approaches with his suitcase - or possibly with yours.

The author is a London general practitioner.

PEOPLE

Morrison makes tracks northward

The team which will operate ScotRail as a shadow franchise in the structure of British Rail due to come into force from next April has gained a strong addition with the appointment of Bill Morrison as its financial adviser. Morrison, 55, takes up his ScotRail appointment on October 1 when he retires as deputy UK senior partner of KPMG Peat Marwick.

Last month Chris Green, one of British Rail's high flyers, was named director designate of the ScotRail shadow franchise, one of the pilot projects leading to the franchising of selected rail services. Green said then that his management team would "definitely be bidding for the franchise when the



director general of franchising puts it on offer" - within six months to a year from the beginning of shadow operations. Green joins Scot-

Rail on April 1 next year when he gives up being managing director of InterCity, which is to be broken up.

Morrison's appointment is the first of a financial adviser to a shadow franchise. Born in Glasgow, he has been an accountant all his working life, starting with Thomson McLintock which merged with Peat Marwick in 1987. He has had a number of non-executive directorships and is to join the board of Scottish Amicable. He is chairman of the auditing practices board of the UK and Ireland, and is to be chairman of the executive committee of the joint disciplinary scheme of the UK accounting profession.

Departures

Richard Jewson is stepping down as chairman and chief executive of Meyer International, the timber supplier which owns the Jewson chain of builders' merchants.

The move, announced yesterday, follows the board's decision to split the roles of chairman and chief executive in line with the Cadbury committee recommendations and to seek a non-executive chairman. Jewson, 49, who became chairman in 1991, will continue to act as chairman until the end of December when he will leave the board in order to develop his career "in other areas".

Yesterday he explained that while he did not disagree with his board's decision to divide the two roles, he did not want to become a non-executive chairman, having worked "hands-on"; nor did he wish to go back to being chief executive, his earlier post. He said he has "some ideas" for what he might do next, but added that he did not want to rush to any decisions.

He has been succeeded as chief executive by John Dobby who joined the group in 1989, has served as a director since 1983 and was appointed managing director in October 1991.

Black Horse Financial Services, an arm of Lloyds Abbey Life, has announced the sudden resignation of Roger Bevan, its managing director. Bevan left at the end of last week following what is believed to have been a difference in management approaches. He has been replaced by Christopher Wisecarson, currently group finance director at Lloyds Abbey Life.

The company refused to comment on the resignation and Bevan could not be contacted.

Direct move for Lloyd

The Direct Marketing Association has a new chief executive, Colin Lloyd, 51.

Lloyd founded the highly successful direct marketing and sales promotion public company KLF group, which he then sold in 1990 to the Paris-based international advertising network RSCG for £34m. He stayed on for a while as chairman of RSCG UK but in 1991 turned to serious golfing and consultancy work.

That semi-retirement was not to his taste and he is delighted to return to running the DMA, which has a role both for the industry and the consumer.

Lloyd's predecessor, Richard Genocchio, stayed the course for just nine months. Since he left at the start of this year, Juliet Williams has been running the DMA.

Lloyd says he has two core missions: "To ensure the



DMA's educational programme operates on the highest levels, and to make sure that the consumer understands that companies belonging to the DMA really do adhere to our code of practice. We are a vigilant authority and really do clamp down on abuses."

Lloyd has more than 25 years' experience of direct marketing and sales promotion and wants to provide what he calls an "ambassadorial role which leads the industry forward".

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BUSINESS AND THE ENVIRONMENT

Answers in the wind

Bronwen Maddox looks at a new World Energy Council report on renewable energy

What will happen when the world's oil and gas supplies run out? The need to find answers to this question has been frequently postponed in recent decades as further resources of oil and gas have been discovered.

But reserves will finally start to run dry by the middle of the next century, according to the World Energy Council, a non-governmental organisation representing more than 100 countries. Coal and nuclear power are the most "readily available" alternatives, it concludes in its latest worldwide projections*, published this month.

That answer will leave many dissatisfied. Coal is a prime source of carbon dioxide, implicated in the threat of global warming, environmentalists and governments agreed at last year's Earth Summit in Rio de Janeiro. There is also mistrust of nuclear power among many people in industrialised countries, while governments are increasingly wary of the expense of building and then scrapping nuclear plants.

To solve the conundrum, parts of the "green" movement have rested hope on the potential of "renewable energy" - wind, solar, wave power and the like. But the issue has divided environmentalists - many object to the appearance of these new energy forms and their impact on wildlife.

How seriously should the potential of "renewables" be taken?

A new 320-page report by the World Energy Council sets out to answer that question. It marks the council's first systematic attempt to bring renewables into its models, and is the result of four years' work by a specially formed committee.

Although the report's conclusions are incorporated into the council's worldwide projections, the committee makes clear that its views do not always coincide with the council's. The committee chides the WEC for having given renewables "secondary status as minor contributors to the overall energy picture", and it adopts throughout a campaigning tone which will be unfamiliar to regular WEC readers.

The committee's main conclusion is that the proportion of world energy consumption supplied by renewables, currently 2 per cent, could double to 4 per cent by 2020. That would represent a tripling of the amount of energy currently supplied by renewables.

It says this projection is based on "current policies", but that it has assumed that fossil fuels will become more expensive, while the prices of renewables will fall. However, these assumptions are not spelled out.

The central claim of the report is that with special aid from governments and international initiatives, the proportion of energy use contributed by renewables could grow to 12 per cent. It calls this the "ecologically driven case".

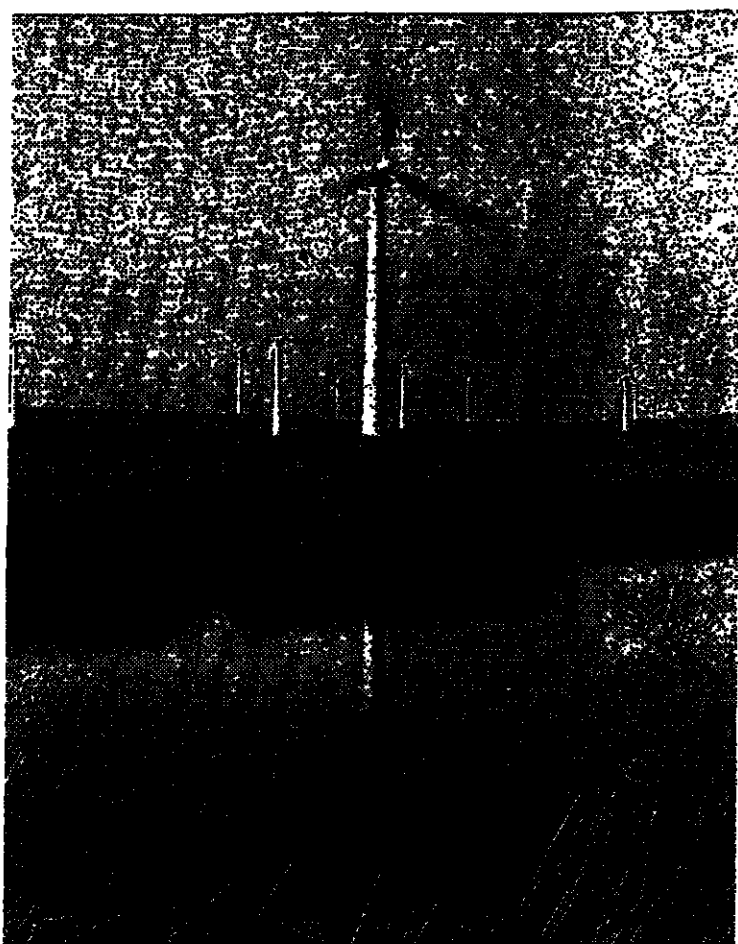
These projections include six types of energy: wind, solar, geothermal (making use of the earth's underground heat), oceans, small-scale water power and biomass - organic-based fuels made from sugar or waste.

However, one of the report's oddities is that it does not look at large hydro-electric projects, one of the most well-established forms of renewable energy, on the grounds that enough research is already available. Nor does it consider in detail the role of what it calls "traditional biomass" - wood burning - by far the greatest source of energy in many developing countries.

By concentrating only on the newer forms, it understates the role that renewable energy already has. The report does acknowledge that if hydro-electric power and biomass are taken into account, total renewable resources contribute about 18 per cent of world energy use today, or about 1,589m tonnes of oil-equivalent.

Even within its limited terms of reference, however, its projections contain surprises.

It estimates that some three-quarters of energy from "new renewables" comes from "modern biomass" - the burning of waste and sewage, and fuels made from sugar and other organic matter. The popu-



Wind power: expected to make considerable inroads after 2010

larity of "modern biomass" in North and Latin America means that it will still contribute nearly half of the total in 2020, the report argues.

It clearly recognises that one of the biggest obstacles to renewables is their expense. The report estimates that its "ecologically driven" projections would need cumulative investment of \$2,400bn (£1,600bn) in renewables between now and 2020.

That compares with some \$930bn capital investment in fossil-based systems to produce the same amount of energy. However, the report is correct that this handicap may diminish.

It is also right to warn of the danger of subsidising renewable energy. "Experience has shown that too rapid a growth, through massive tax and other incentives, encourages marginal companies and technologies into the market," which then fail to survive.

In many cases, it points out, the natural limitations of renewables limit their spread. For example, many areas which are suitable for wave power have other cheap energy - Australia has coal, New Zealand has hydro and geothermal potential and Britain has coal and nuclear energy.

It will also find increasing sup-

port within governments of industrialised countries for its view that the environmental costs of fossil fuels - principally their atmospheric emissions - should be reflected in energy policy. But the report leaves this question open - along with many others.

It expects solar and wind power to make considerable inroads after 2010, but does not spell out the technological improvements and falls in price that will bring that about. It includes few comparisons with the cost of nuclear power, one of renewables' chief rivals for government subsidies.

Nor does it offer much comment on how to treat the initial high-capital investment which renewables require when comparing them with fossil fuels, where initial investment is low, but continuing costs are high.

This report provides too little analysis of the future costs of renewables to show how those choices will be made.

*Renewable Energy Resources: Opportunities and Constraints 1990-2020; Energy for Tomorrow's World. World Energy Council, 34 St James's Street, London SW1A 1HD. £25 plus postage.

Lake Baikal, the deepest fresh water lake in the world, is often portrayed as a symbol of how Soviet industrialisation policies rode rough-shod over Russia's environment.

Today, it provides a litmus test of whether international co-operation can help Russia tackle ecological problems as it attempts to build a democratic, market-based society.

The size of Belgium and still basically unspoilt, Lake Baikal has a unique ecosystem and contains 20 per cent of the world's reserves of fresh water. The lake's most visible problem is an eyesore: a vast cellulose and paper plant built in the 1960s which belches grey smoke through dozens of chimney stacks and dumps waste water into the lake.

But the old Communist system which could erect this plant in such a location also spared Lake Baikal from capitalist-style threats to the environment such as mass tourism and property development.

The damage caused by the plant is limited to a relatively small area. But with the switch to market principles, tourism and exploitation of timber and agriculture can only increase, generating new challenges of sustainable development.

As a result, the lake is threatened not so much by damage caused to it already, but by what could happen to it unless market forces now being unleashed in Russia are managed with care.

Although he desperately needs western funds and expertise to prevent further harm, molecular biologist Mikhail Grachev, head of the Limnological Institute which studies and makes policy recommendations on Lake Baikal, is worried by some of the offers of assistance made so far.

His latest concern is the World Bank, which last month sent a first mission to the area to identify possible projects.

"They are looking for alternative science," says Grachev. "They asked for project ideas and said they would choose which ones they want to fund. Maybe it is possible to behave this way somewhere else, where there are stone caves, but in Russia this is impossible."

"If they want to decide which projects are good and which are bad, they must decide together with established Russian institutions that have studied the lake for decades."

Grachev's complaints touch a raw nerve as the World Bank undergoes soul-searching on what its role should be in the countries it is supposed to assist. The debate

Testing the waters

Leyla Boulton on the ecological management of Lake Baikal

is particularly relevant in the uncharted waters of Russia, which despite its lack of capitalist experience, has rich scientific potential, an active ecological movement and expertise on its own problems.

Potential for the abuse of aid and the tensions between the government in Moscow and the regions are two further reasons for the World Bank to ally its wealth and expertise with a reliable partner at local level.

"If they give money to someone, probably some people will buy computers, cars and go to America 20 times. They will get only noise

Baikal is threatened not so much by damage caused to it already, but by what could happen to it unless market forces now being unleashed in Russia are managed with care

in return," says Grachev, of the World Bank's search for "independent" Russian experts.

Although funded by the state, his institute has accumulated unrivalled knowledge of the lake and has been at the forefront of efforts to protect it.

By making more judicious use of local experts, he says, the World Bank could make aid funds go further. Less money would be spent on consultants who fly in and out of the country on expensive flights. It would avoid the duplication of efforts which is plaguing most spheres of aid to Russia. It would also support local people, including Russian scientists who face severe cuts in funding by the state.

As an example of potential waste, Grachev said the World Bank had told him it had a \$600,000 (£387,000) Japanese grant for a feasibility study on developing ecological tourism in the Lake Baikal area. Not only was this a vast sum compared with the annual budget of his institute, but Germany has already begun funding studies on the same subject.

Andrew Bond, a member of the World Bank mission, acknowledges that there is a "great deal" of information already available at local level. But, he says, "the transfer and collation of knowledge, and who the decision-makers are is not quite clear". He adds that the Russians need help in developing environmental management skills to prevent a recurrence of problems such as the cellulose and paper plant.

"Environmental management has been undervalued, not only by the general public but by many environmentalists. This is because it is much easier to latch on to a problem and feel comfortable with having solved that particular problem."

It is true that Grachev says one of his first priorities is for western experts to survey the paper plant's assets and come up with suggestions on how to convert it to alternative uses or close it down altogether. But apart from money to restructure the plant, Grachev acknowledges the need for intellectual help, particularly in the field of law and economics.

Legislation currently being piloted through parliament to protect Lake Baikal is a pre-condition for the lake to be declared a world heritage site by Unesco, the United Nations Educational, Scientific and Cultural Organisation. The law establishes a core zone where no construction can take place, and requires local factories to present ecological passports.

Grachev is placing his hopes on the present generation of Russian law students and says they would benefit from exposure to western practice of environmental law.

In a modest example of successful co-operation so far, Helmut Lieth, a retired professor of ecology at Osnabruck University, has brought groups of German ecology students to Lake Baikal to pass their experience on to Russian students. Thanks to his efforts, the local city of Irkutsk is being twinned with Leipzig in eastern Germany to help it attract sponsors and contacts to help its ecological and industrial problems.

Grachev is confident that even the World Bank will come to see things his way. "I am patient. They will come back with new ideas."

How to repack an industry.

This announcement appears as a matter of record only.

September 1990

COFINEC
Compagnie Financière pour
l'Europe Centrale

has acquired a controlling interest in



Petöfi Printing Co. Ltd.
(a company incorporated under the laws of the Republic of Hungary)

as part of the First Privatisation Program by the
State Property Agency (SPA) of Hungary

This announcement appears as a matter of record only.

November 1991



Petöfi Printing Co. Ltd.
(a company incorporated under the laws of the Republic of Hungary)

DM 10,000,000 Loan Facility

Provided by



European Bank
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This announcement appears as a matter of record only.

February 1993



Kner Printing House Co. Ltd.
(a company incorporated under the laws of the Republic of Hungary)

DM 10,000,000 Loan Facility

Provided by



European Bank
for Reconstruction and Development

The undersigned acted as financial advisor to
Kner Printing House Co. Ltd. on this transaction.

Morgan Stanley International

This announcement appears as a matter of record only.

July 1992



Petöfi Printing Co. Ltd.
(a company incorporated under the laws of the Republic of Hungary)

International Private Placement
of 6,046 Registered Shares
of Common Stock of HUF 50,000 each

The undersigned acted as financial advisor
to Petöfi on this transaction.

Morgan Stanley International

This announcement appears as a matter of record only.

July 1993



Petöfi Printing Co. Ltd.
(a company incorporated under the laws of the Republic of Hungary)

HUF 1,350,000,000 Dividend
Notes Due 1998

The undersigned acted as financial advisor
and sole manager to Petöfi on this transaction.

Credit Suisse First Boston Budapest Rt.

This announcement appears as a matter of record only.

May 1992

COFINEC
Compagnie Financière pour
l'Europe Centrale

and
Hungarian Investment Company Ltd.
(HICL)

have acquired 85% of



Kner Printing House Co. Ltd.
(a company incorporated under the laws of the Republic of Hungary)

as part of the First Privatisation Program by the
State Property Agency (SPA) of Hungary

This announcement appears as a matter of record only.

February 1993



Kner Printing House Co. Ltd.
(a company incorporated under the laws of the Republic of Hungary)

DM 10,000,000 Loan Facility

Provided by



European Bank
for Reconstruction and Development

The undersigned acted as financial advisor to
Kner Printing House Co. Ltd. on this transaction.

Morgan Stanley International

This announcement appears as a matter of record only.

February 1993



Kner Printing House Co. Ltd.
(a company incorporated under the laws of the Republic of Hungary)

Private Placement of 27,000
Registered Shares of Common Stock
of Par Value HUF 10,000 each

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ARTS

Television/Christopher Dunkley

The documentary is not dead

Television's autumn season is bringing with it a veritable catalogue of new factual series which, at first glance, may seem to give the lie to those of us who predicted that Britain's new rules for television would produce a fiercer ratings war than ever and a slide in quality. Over a period of some years it has been argued in this column that the disastrous Tory legislation on commercial broadcasting combined with an attitude of impatience bordering on contempt towards the BBC, and the demand that all broadcasting become more market oriented, would rob us of some, or even all, of the small percentage of programmes which could be described as truly outstanding.

Such misgivings have been ridiculed by some within the industry who felt that new brooms were needed to rid British broadcasting of what they saw as its costliness and snootiness and that more attention should be paid to the ratings and less to the preferences of the chairman's wife. The effects of such attitudes upon drama within commercial television are already becoming clear. Not only does it now seem improbable that ITV will ever again produce series such as *Brideshead Revisited* and *Jewel In The Crown* but, more ominously, those running ITV no longer aspire to such heights nor see any point in doing so. The pinnacle of their ambition today is represented by *Frank Stubbs Promotes*, a good, workmanlike series, pleasant enough to watch but quickly forgettable – the *Saturday* of television drama. It seems that no one in ITV is interested any longer in producing *Chapman*, let alone *Krug*. Such ideas would be seen today as laughably elitist.

When I presented the final edition of *This Week* and wondered whether we would see its like again, scoffing and head patting was the reaction from some of ITV's new mandarins. What made me

think, they asked, that the programme replacing *This Week* would not be as good or even better? Why did I not wait and see? On Thursday, having waited, we saw the first edition of *The Big Story* which, we are assured, will be giving "in-depth insight" into "the week's top story". And what did ITV consider last week's top story: the Arab/Israeli peace plan? Bosnia? No. The most important question of ITV's week was: Is Wacko Jacko a pervert, the very question that was obsessing the tabloid newspapers. During the programme the presenter talked on the phone to Michael Jackson's sister's agent. "I mean the problem, to be serious on this Dennis," he said, "we don't pay for interviews." He said, "We're a current affairs programme looking at this in a kind of serious fashion –" at which point the producer, who clearly had a sense of humour, inserted the noise of a camera shutter and banged up a picture of Jackson's sister from her *Playboy* photo spread.

Viewpoint, which has brought us such memorable documentaries as *Adrian Cowell's Decade Of Destruction* from the Amazon jungle and Anthony Thomas's recent excellent expose of the "Satanic abuse" industry, is about to follow *This Week* down the ITV drain, as is *First Tuesday*. In their place ITV's new central programme commissioners will give us *The ITV Documentary*, with programmes from a wide variety of sources. It is hard to see how this ad hoc system can possibly replace the protective enclave which Central Television (and ATV before it) provided for some of Britain's best documentary makers who received support, sometimes for years, as they brought *Viewpoint* programmes to fruition. However, again we are told not to be so pessimistic, to "wait and see". We cannot do anything else, of course.

What we are already seeing in the autumn season is that a lot of the more

interesting material is coming from the BBC. *Inside Story* on BBC1 began a new series with a programme about prostitutes and pimps which looked at first as though it might be in pretty much the same tabloid category as the Wacko Jacko piece. But it turned out to be a grim revelation of the desperate circumstances of many young (and no doubt not so young) girls who are forced by blackmail, violence and, ironically, the need for a show of affection, to work the streets and then hand over virtually all the money they earn to some parasitical man.

Another BBC1 production, *The Skipper*, offers a six-part series on a subject which lies at the heart of the British documentary tradition: fishermen. Since we had such purist works as *Deckle Learner* and *A Life Apart* from Mike Grigby in the 1960s, and the first British documentary, *Drifters*, from John Grierson, no less, in 1929 (a silent, and the only documentary that the father of the genre ever actually directed on his own) it takes a certain amount of chutzpa to launch into the subject again now. However, producer Jeremy Mills has found one of those television naturals, not entirely unlike steeplejack Fred Dibnah, in Cornish skipper Roger Nowell. He admits to lying to his own brother if he finds a good shoal, and it seems clear that the billing does not refer to him as a "buccaneer" for nothing. This looks like being not just an informative series, but entertaining.

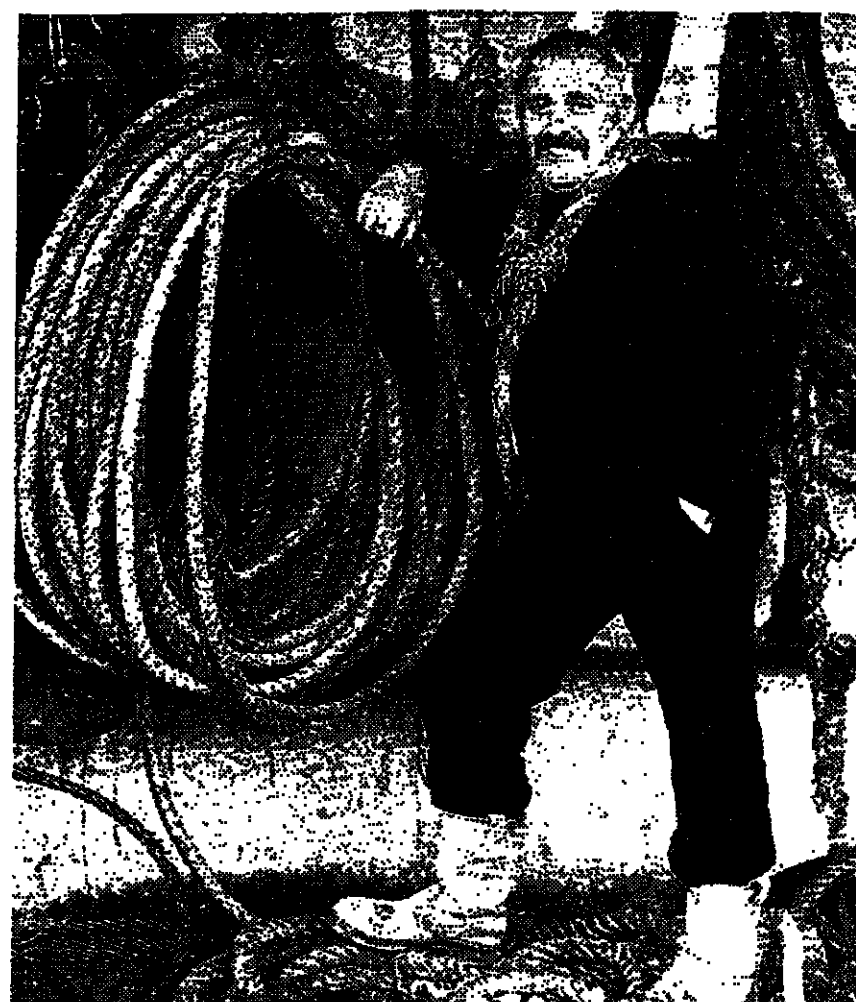
Unfortunately the same can probably be said about *Kenneth Baker's Memoirs* which began on BBC2 on Saturday. It is all very well to have Kenneth Clarke, Chris Patten, Malcolm Rifkind and other old political chums (and occasionally foes, as with Ken Livingstone) reminiscing about the days when headmistress Maggie terrorised the corridors of power. However, we might have hoped for something a little more informative than a lot of sniggering and

"Do you remember how she used to..." exchanges.

The two most interesting new series are both concerned with movies and movie makers: BBC's *Hollywood UK* and Channel 4's *D.W. Griffith: Father Of Film*. In both cases the fascination lies less in the process of film making and more in the social implications, though in the case of Griffith one might wish otherwise. Since it really is true, for once, to say that this was a man whose work was seminally important, it would be interesting to have heard from Kevin Brownlow and David Gill (the world's greatest champions of silent cinema, here working as documentary producers) much more about precisely how Griffith achieved some of his technical effects; after all, he was virtually inventing them. Instead too much time has been devoted to his racism, which nobody should deny, but which is about as important as, say, the slavery practised by the "democrats" of ancient Greece.

Birth Of A Nation, is unmistakably a racist movie, but does anybody suppose for one moment that if Channel 4 was to screen a 1915 film about tribal conflict in Africa or murderous feuding between Indian castes that it would feel it necessary to wheel out a polytechnic lecturer at the start to tell us what to think? That is what it did last week before their screening of the superb Brownlow-Gill restored *Birth Of A Nation*.

As for *Hollywood UK*, its exploration of the moods and mores of the swinging sixties is peculiarly compelling, partly because it all feels such an amazingly long time ago. There are, of course, the films themselves – when we talk about the English cinema boom of that period it is easy to forget that it included not just *Room At The Top* and *A Taste Of Honey* but also the Bond movies and works such as *The Charge Of The Light Brigade*. This series, produced by Charles Chabot and



A television natural: Cornish skipper Roger Nowell in the BBC series

Rosemary Wilson, goes into all that, but, even more tellingly, it finds out from Richard Harris and Julie Christie, Lindsay Anderson and Frederic Raphael, how they felt at the time and how they feel now about that extraordinary outburst of creativity.

It is an excellent series, and no doubt there will be others this season. Perhaps it is silly to object if it begins to appear that the BBC really might one day dominate the high ground of broadcasting, as it has so often asserted that it should, while ITV sticks more and more firmly to the dictates of the market place. The trouble is, surely, that so far there has been only the very beginnings of a much greater shift: we ain't seen nuthin yet.

'She Loves Me' tunes in again on Broadway

Ask a musical theatre buff what his favourite show is and the odds are he will murmur mistily *She Loves Me*. When it first opened on Broadway in 1963, that musical, with a book by Joe Masteroff and music and lyrics by the *Fiddler on the Roof* team of Jerry Block and Sheldon Harnick, won critical acclaim and boosted the emerging careers of its producer/director, Harold Prince, and its star, Barbara Cook. *She Loves Me* has gone on to count less regional, stock and college productions – but why has it taken so long to return to Broadway, where it has just opened at the Brooks Atkinson Theatre in a beguiling production directed by Scott Ellis, first seen at the smaller Roundabout Theatre in June.

For the answer one only need look to *She Loves Me's* Broadway neighbours, the glitz-laden mega-musicals that are making it big of late. A little musical about the romantic entanglements of perfume shop clerks in 1930's Hungary seems wholly out of style. It has taken the enterprising

Ellis to show Broadway what it has been missing, in a production filled with all the humanity, integrity, and charm those mega-musicals lack.

Masteroff adapted *She Loves Me* from a play by Miklos Laszlo, which was also made into a film, *The Shop Around the Corner* with James Stewart and Margaret Sullivan. It is an unabashedly simple story, as delicate as the pines of its sensitive heroes, the hardworking perfume manager Georg Nowack (Boyd Gaines) and the astute new shopgirl Amalia Balash (Judy Kuhn, who played the role at the Roundabout, has been replaced by Diane Fratantonio), who clash on the job by day and send each other love letters by night, realising only as the story unfolds that each is the other's lonely heart's pal.

None of Block and Harnick's

songs, save Amalia's second-act falling-in-love number "Vanilla Ice Cream," has become a standard; it is the way they are woven into what is happening on stage that

Karen Fricker
admires Scott
Ellis's new production
at the Brooks
Atkinson Theatre

makes the show musically remarkable. There are a few big musical numbers (staged with rousing cleverness by Rob Marshall), but, more often, song flows into scene or scene into song with an almost uncanny naturalness. One need only scan the list of song titles – "Good Morning, Good

Day," "Sounds While Selling," "Where's My Shoe?" – to know that this is a world in which even life's little banalities prompt a song.

Ellis directs with a rare confidence and intelligence, with finely observed relationships between the shop's employees. His only gaffe – and it is a serious one – is that he neglects to paint the broader picture in which this lovely cameo is set. Times were tough in 1930s Budapest, and jobs hard to come by, but we are given little clue of the greyness that lurks outside the golden glow of Maracsek's Perfumerie. Without this context the musical's darker events – betrayals, selfishness, and even a suicide attempt – make little sense.

Ellis's wisest step was his most basic: excellent casting. None of his company are stars, yet, but all are good actors as

well as singers. Gaines is just the right blend of dorky and dashing as Georg, and Kuhn made a lovely gawky Amalia, although her final costume, a dowdy purple number, does overstate the point a bit; otherwise the costumes by David Charles and David Greenwood are well-done. Sally Mayes' chirpy-tough portrait of Ilona, Amalia's not-so-dumb-blond co-worker, is a delight. Howard McGillin is given less to work with as the one-sided rogue Kodaly, but flusses the job with mustache-twirling glee, and Lee Wilkof makes an odd character – the plodding salesman Sipos – oddly likable. Only Louis Zorich as shop owner Maracsek and Brad Kane as the messenger boy Arpad fall prey to caricature.

The timing is just right for the re-introduction of *She Loves Me* to Broadway. Arriving just after the rabble of the Tony Awards – it is officially the first production of the 1993-94 season – it seems at once answer and antidote to its techno-driven neighbours, and its freshness is going down a treat.

Concert/Paul Driver

The Lowbury Piano Trio

This was the first time I have visited the Wigmore Hall since it has been so delightfully renovated and expanded and I was gratified to note the acoustical advantage that the hall still wonderfully lends to chamber musicians. The Haydn E major trio (H. 38) with which the Lowburys opened their programme came across with a clarity that was far from without being harmfully analytical.

This bold and concise three-movement late work of Haydn's went off bustlingly well. The classical preamble was apt for the new (to London) trio for the same instruments (piano, violin and cello) by Robert Simpson which followed. Completed in 1989, this ambitious and lengthy (36 minutes), work in four continuous movements is absolutely characteristic of its composer in its determined attempt to reinvent classical form and reinvent classical rhetoric. Nobody alive today pursues such aims with such gusto; and one could not but be struck by the now working skill and unmisgiving neo-classical assurance with which Simpson marshals his motifs, weaves his sinewy counterpoints, and pushes through his formal stereotype to the bitter end.

The textures are predominantly spare, and the opening *leggero* exchanges suggested a genial conversational tone or perhaps a musical version of thinking out loud. Gradually, though, one began to suspect that the composer was really striving after a Shostakovich-like searing bleakness of utterance but adherence to classical propriety held him back.

Though the *Vivace* second movement had appealing bursts of chordal punchiness from the pianist (Elizabeth Burley), and the *Adagio semplice* some searchingly fraught descants for the first violin (Pauline Lowbury), the *Allegro* finale was decidedly diffuse, and the overall impression was colourless.

Simpson's harmonic idiom is that of a no-man's land between tonality and atonality, and in his devotion to classical form he has quite missed out on content. Ravel's great A minor trio, with an account of which (alas, all too barnstorming) the concert ended, was a reminder of the primacy of content. If the Simpson work seemed to have drained music to a hospital pallor, here all the art-form's colour and life-blood came surging back.

Jazz/Garry Booth

The James Moody Quartet

Something has happened to saxophonist James Moody, in residence at Ronnie Scott's club all this week. Late in a long career the 68-year-old American seems to have found a more acerbic edge to his sound and a less predictable technique with both solo and tenor.

The quartet is the regular one: the sometimes detached sounding Marc Copland at the piano; the appropriately named Todd Coolman on upright bass and Billy Drummond on the traps. Out front Moody, hamming up the vocals in a quavering falsetto, is clearly relishing the limelight. Having spent the summer on the road with Lionel Hampton as one of his Golden Men (alongside trumpeter Clark Terry and trombonist Al Grey), he is digging hard now into the quartet's book of blues standards and pianist Copland's originals.

A tough reading of "Bird's Works", a blast from the leader's past with Dizzy Gillespie, follows a twisting blues original "Mutt and Jeff" solos taken by rote. The ballad "I Can't Get Started" begins with some arty alto squealing, where Moody seems to be only

half joking about his new found interest in harmonics, eventually easing into more familiar territory. Pianist Copland, an apparently cerebral character, picks up Moody's line tentatively, the dislocated rhythm of the left hand driving a careful right. Like Coolman, who might shorten the length of his quiet solos, Copland struggles to be heard at times. Moody is the focus of course and the comical, shouted stream of banter with the audience, probably picked up during his sojourn with Las Vegas showbands in the 1970s, silences the rowdier table.

Theatre/Alastair Macaulay

The Recruiting Officer

Maureen Lipman directing *The Sunshine Boys*, Brian Cox acting in *The Master Builder*, Bill Paterson in Bulgakov's *A Month In The Country*, and Ireland's own stagings of *A Midsummer Night's Dream* and *Oedipus Tyrannus*.

Ireland keeps *A Recruiting Officer* light and vivid. I came to it straight from watching the movie of *Much Ado*, and could not help noting how much smaller Farquhar's comic world is than Shake-

speare's, how much narrower his tone. The trick of Restoration comedy is to make its tight little world real and brilliant. Ireland gives his actors enough period sense to make it real (real in ways that Branagh's pretty never-never-land *Much Ado* fails to achieve), and he differentiates each character sharply while giving them all vigour.

Brilliance is only fully present in one impersonation – Bob Barrett's playing of Cap-

tain Brazen. Brazen, a second-act role, is all irrepressible presumption and namedropping cockiness; and Barrett bursts onto the stage with such fruitily voiced glee, such slyly round-faced panache, that he almost unbalances the play. But not quite. As Silvia, Jules Melvin brings off the feat of acting *en travesti* with convincing style; and Rebecca Charles, playing Melinda as a pettish spoilt parlor pug, (surely too Dickensian a type for Far-

quhar?), grows endearingly vulnerable as the play proceeds. As Plume, Phelim Drew has energy, manner, but not enough refinement; as Worthing, Patrick Toomey has refinement but not enough energy.

The strength of the production owes much to Russell Craig's designs, which use the revolving stage to create several different interior and exterior scenes economically but surely; and a dozen extras swell the crowd scenes to fine effect. Ireland allows his cast to misinterpret some small points but at all points the play keeps up brisk pace, colourful characterisation, and high spirits.

INTERNATIONAL ARTS GUIDE

BONN

Oper Sat and Mon: Valery Panov's production of Prokofiev's ballet *Romeo and Juliet*. Sun: Marcello Panni conducts first night of Guy Montavon's new production of Lortzing's *Der Wildschütz*, with a cast including Eva Lind and Thomas Mohr (0228-773667).

COLOGNE

The new season of the Cologne Opera opens on Sun with a new production of Yevgeny Olegin staged by Willy Decker and conducted by James Conlon, with a cast led by Adrienne Pieczonka, Boje Skovhus, Kurt Moll and Helga Demesch (repeated Sep 22, 25, 29). Così fan tutte returns to the repertory on Sep 24 and Monteverdi's *Poppa* on Sep 30 (0221-221 8400).

Alfred Brendel plays Beethoven piano sonatas on Fri at the Philharmonie. Sat evening and Sun afternoon: Ensemble InterContemporain plays works by Tristan Murail, Elliott Carter, Ravel

and Boulez. Sun evening: Roger Norrington conducts Chamber Orchestra of Europe in symphonies by Brahms and Schubert. Mon: Thomas Quasthoff song recital. Sep 30: Riccardo Muti conducts La Scala Orchestra (0221-2801).

The Thespian Opera, staged by Günter Krämer, has opened an extended run at Halle Kalk, the new subsidiary stage of the Cologne Schauspielhaus at Neuenburgstrasse (0221-221 8400).

COPENHAGEN

Royal Theatre Tonight: Die Zauberflöte. Tomorrow and next Tues: Drot og Marsk, Danish historical opera. Fri and Mon: John Neumeier's production of Prokofiev's ballet *Romeo and Juliet*. Sat: Ariadne auf Naxos (tel 3314 1002 fax 3312 3692).

Tivoli Tonight: semi-staged performance of Nielsen's opera *Maskerade*. Sat: Katia Ricciarelli sings opera arias. Sun: Ole Schmidt conducts Tivoli Symphony Orchestra in final concert of season (3315 1012).

DRESDEN

Semperoper Tonight: Zemlinsky/Dallapiccola double bill. Tomorrow: Don Giovanni. Fri: Gluck's *Orfeo*. Sat: Arabella. Sun: Rakhmaninov opera and ballet evening. Next Wed: Lucia Popp song recital (0351-484 2731).

DUSSELDORF

Deutsche Oper am Rhein Tonight and tomorrow: Kabuki Theatre guest performances. Fri: Rigoletto. Sat:

Zar und Zimmermann. Sun: Meistersinger (0211-8908 211).

Duisburg Theatre has Heinz Spoerli's ballet *Giselle* on Sat (0203-3009 100).

Schauspielhaus's *Romeo and Juliet*, directed by Karin Beier, has just opened and runs in repertory for the rest of the month. The next production is Eugene O'Neill's *Mourning Becomes Electra*, opening Sep 25 (tickets 0211-369911 information 0211-162200).

FRANKFURT

Alte Oper Tonight: Daniel Nazareth conducts MDR Symphony Orchestra in works by Gubeydullina, Schumann and Mahler. Tonight (Hindemith/Saal): Ivan Sokolov piano recital. Tomorrow: Kronos Quartet and friends. Fri: Rakhmaninov programme with Glinka Capella of St Petersburg. Sat: Gianluigi Gelmetti conducts Stuttgart Radio Symphony Orchestra in works by Herz and Stravinsky. Sun: Monteverdi's *Vespers*. Mon: Michael Gleslen conducts orchestral works by George Lopez. Tues: Ensemble Modern plays Hans Zander. Next Wed: Roger Norrington conducts Chamber Orchestra of Europe (069-1340 400).

LEIPZIG

Gewandhaus Tonight: Sviatoslav Richter plays piano concertos by Poulenc and Gershwin with Gewandhaus Orchestra conducted by Kurt Masur. Tomorrow and Fri: Masur conducts works by Mendelssohn, Barber and Musorgsky, with cello soloist Yo

Yo Ma. Sun: Gewandhaus Orchestra chamber music evening. Next Tues: Daniel Nazareth conducts MDR Symphony Orchestra in Ravel and Richard Strauss, with violin soloist Augustin Dumay (0341-7132 280).

Opernhaus Tomorrow: Uwe Scholz's ballet *The Creation*, music by Haydn. Fri: Itrovators. Sat: Scholz's version of *Coppelia*. Sun: Lothar Zagrosek conducts Ruth Berghaus' production of Jörg Herchet's new opera *Nachtwache* (291036).

MUNICH

The new season at the Staatoper, the first to be organised by Peter Jonas, opens on Sat with *La traviata*, a revival of Günter Krämer's staging first seen at the July opera festival. Julia Varady sings Violetta. The repertory over the next two weeks includes Lady Macbeth of Mtsensk with Hildegard Behrens, Don Giovanni, Tosca and the Cranko production of Prokofiev's ballet *Romeo and Juliet*. Cecilia Bartoli gives a song recital on Sep 23 (089-221316).

Repertory at Gärtnerplatztheater includes *Entführung*, *Fiddler on the Roof* and *Street Scene* (089-201 6767).

Next Tues at Gasteig, Roger Norrington conducts Chamber Orchestra of Europe in works by Schumann, Schubert and Brahms (089-4809 8614).

The Munich Philharmonic Orchestra and its chief conductor, Sergiu Celibidache, leave on September 28 for a month-long tour of South America and Spain, with concerts at Buenos Aires, Sao

Paulo, Rio de Janeiro, Santiago de Compostela, Madrid, Seville and Valencia.

OSLO

Konsertshuset Tomorrow, Fri: Paavo Berglund conducts Oslo Philharmonic Orchestra and Chorus in Sibelius' *Kullervo* Symphony. Next week's concerts are conducted by Evgeny Svetlanov (2283 3200).

STOCKHOLM

Royal Opera Tonight: Cav and Pag. Tomorrow and Fri: Beryl Grey's production of *Sleeping Beauty*. Sat and Mon: Tosca. Next Tues: Siegfried Köhler conducts Folke Abenius' new production of Elektra (tickets 08-248240 information 08-203515).

Berwaldhallen Fri evening, Sat afternoon: Evgeny Svetlanov conducts Swedish Radio Symphony Orchestra in Mozart's *Jupiter* Symphony and Strauss' *Alpine* Symphony (08-784 1800).

STUTTGART

The European Music Festival, organised by the International Bach Academy, runs at the Liederhalle until Sun, with a main event every evening supplemented by a late-afternoon lecture-concert and a late-evening recital. Tonight: Alfred Brendel plays Beethoven piano sonatas. Tomorrow: Frieder Bernius conducts Stuttgart Chamber Choir in works by Mendelssohn, Reger and Brahms. Fri: Carlos Kalmar conducts Stuttgart Philharmonic Orchestra in Schumann's Second Symphony and Mahler's Das Lied

von der Erde, with Jard van Nes and Keith Lewis. Fri late evening: Tatiana Nikolaeve plays Shostakovich. Sat afternoon: Yvonne Loriod plays Messiaen. Sun: Heinrich Filling conducts Debussy's *La Martine* de Saint-Sébastien (0711-295551).

This month's repertory at the Staatstheater is Parsifal, Die Zauberflöte and La bohème. The first new production of the season is the world premiere on Oct 3 of Hans Zander's second opera *Don Quijote de la Mancha* (0711-221795).

Ludwigsburg Festival: the Stuttgart Ballet presents the last of its performances of Die Zauberflöte tonight, in Maurice Béjart's choreography of the opera. Wolfgang Gartnerwein conducts Haydn's *The Creation* on Fri, with soloists Ruth Ziesak, Hans Peter Blochwitz and Cornelius Hauptmann. Editra Gruberova gives a song recital on Sun, followed next Mon by Renato Bruson. Next Tues: John Eliot Gardiner conducts North German Radio Symphony Orchestra. Next Wed: Roger Norrington conducts Chamber Orchestra of Europe (07141-949610).

STRASBOURG

The Opéra du Rhin opens the 1993-4 season next Tues at Théâtre Municipal with a new production of Wolfgang Rihm's *Jakob Lenz*, repeated Sep 23, 26 and 28. The season also includes Rigoletto, Philippe Boesmans' new opera *Reigen*, Schumann's *Manfred*, Die Merry Widow, Iphigénie en Tauride, Die Fledermaus, Roberto Devereux and The Makropoulos Case (8875 4823).

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0630
Saturday Super Channel: Financial Times Reports 0830
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer



One of the most powerful myths of antiquity is that of the Cumaean Sibyl. She offered her nine books of prophecies to Tarquin, the king of Rome. When he refused them, she burned three and offered him the remaining six at the same price. Again he refused, so she burned three more and offered him the remaining three still at the same price. This time he bought them.

Why did Tarquin refuse the first and second bargains offered? Obviously because the price asked was outrageous. Why did he accept the third one, which was clearly even more outrageous? Because he realised that next time there would be no books left to buy.

The Palestinians have been made a series of outrageous offers since 1917, when the British government first took it upon itself to designate their homeland as "a national home for the Jewish people". Each offer has been, from their point of view, more outrageous than the last.

In 1923, for instance, they boycotted elections for a legislative council, because Jewish delegates (then representing a small minority of the population) were to have the casting vote whenever British government appointees disagreed with the elected Arab members. It made sense to reject this, since it would enable the UK to push through its "national home" policy, disregarding the wishes of the majority. But, with hindsight, if they had accepted, the Arabs would surely have been better placed to resist or at least limit that policy.

A much more famous rejection was that of the 1947 UN partition resolution, dividing Palestine into a Jewish and an Arab state, with Jerusalem as a corpus separatum under UN control. The Arabs looked at the map and found that even within the proposed Jewish state they would be (narrowly) the majority. Like today's Bosnians, they saw no reason why "the international community" should impose on them a partition of their country on ethnic lines. They fought to prevent it, arguing for a single democratic state in which all citi-

It's better late...

Palestinian rejectionism was usually justified, but always wrong

zens would be equal and all religions respected. Like today's Bosnians, they were defeated, and many were driven from their homes, taking refuge in neighbouring countries or in the two bits of Palestine that remained under Arab rule: the West Bank and the Gaza Strip. Those two bits taken together were much smaller than the Arab state the UN had proposed; and when the fighting stopped, in 1949, the Palestinians found they no longer had the option of

Many Palestinians think Arafat is a traitor, to accept so little after struggling so long

returning to their homes, even to live under Israeli rule. In 1965 President Habib Bourguiba of Tunisia, speaking in a Palestinian refugee camp in Jericho, suggested that the time had come for the Arabs to accept the 1947 partition. Palestinians indignantly rejected such defeatism, knowing well that by then there was in any case no chance of Israel withdrawing voluntarily to the frontiers the UN had proposed. They stuck to the view that Israel was an illegitimate state, built on land stolen from them. The rest of the Arab world supported them, at least verbally, and the result was another war (in 1967) in which Israel overran the West Bank and Gaza as well as parts of Egypt and Syria.

Moshe Dayan, Israel's defence minister at the time, suggested to Palestinians in the West Bank and Gaza that they should set up their own state there. They rejected the

idea, while in Khartoum the Arab leaders promulgated their three "no's": no peace, no recognition, no negotiation. Meanwhile Israel annexed east Jerusalem and began to plant settlements in the West Bank and Gaza.

By 1973, when the next Arab-Israeli war broke out, the main Arab states had accepted UN resolution 242, which they interpreted as meaning that Israel should be left in peace if it withdrew to the 1949 armistice lines. The Palestinians, now represented by the PLO, began to hint that, if their arms were twisted, they might after all accept the offer General Dayan had made in 1967. Said Hammami, then the PLO representative in London, was the most explicit about this: he advocated mutual recognition and peaceful co-existence between Israel and a Palestinian state.

But of course Dayan's offer was no longer on the table. At most, Israel was willing to hand over part of the territory to Jordan. And then, in 1977, Menachem Begin came to power, pledged not to give up any part of "the Land of Israel". At Camp David in 1978 the presidents of Egypt and the US persuaded Begin, with great difficulty, to agree to an interim solution, giving the inhabitants of the West Bank and Gaza autonomy for five years and leaving the ultimate solution to be negotiated later. The Palestinians rejected this, pointing out (correctly) that it committed Israel neither to withdrawal nor to acceptance of a Palestinian state.

In 1993 Israel is offering to allow a "Palestinian entity", which in the first instance will control only Gaza and a small area around Jericho. The price is still the same: recognition of Israel, acceptance of its right to live in peace, cessation of all armed struggle or terrorism against it. But Yasser Arafat, like Tarquin, has decided to pay.

Many Palestinians think he is a fool or even a traitor, to accept so little after struggling so long. He may well suffer the fate of Said Hammami, murdered in 1978 by a Palestinian extremist in the pay of Saddam Hussein.

But he is surely right to realise, however belatedly, that mutual recognition and peaceful co-existence are a commodity worth paying for, even through the nose.

Commander "Chippies" Selby Bennett bears a heavy burden. In the Dorset council seat of Lytchett tomorrow, it falls to him to strike the first blow in a putative Conservative fight-back against the Liberal Democrat hordes sweeping southern England.

Chippies, a Conservative councillor for four years, will carry the tattered Tory flag in a by-election ordered by the High Court following an investigation into an unstamped ballot paper cast in the county council elections in May.

But as he marches towards the Liberal Democrat gunfire, Chippies sounds like a reluctant champion, mainly because the by-election campaign, which ought to be about local issues, has focused instead on complaints about the government.

In the wake of the Christchurch by-election in July, in which the Liberal Democrats overturned a Conservative majority of more than 23,000, it was never going to be easy. But Chippies has had his work cut out to fend off the anger of local people about national issues such as water charges and the extension of value added tax to heating fuel.

"When they protest, I say: 'Join the club, you are not nearly as fed up as I am,'" he says wearily. Describing himself as an "independent-minded chap", he adds: "It is not a very clever government."

Sentiments like that will be shouted from the rooftops of Torquay next week when the Liberal Democrats gather for their annual conference. After decades in the parliamentary wilderness, the party is inherently prone to over-optimism. But this year, the delegates will be able to celebrate the achievement of real power, albeit at a local level.

Almost unnoticed in Westminster, third-party candidates have been gaining ground in local elections for two decades. In 1978, the Liberal party held 800 council seats across the country. After gains in 12 of the last 15 years, its Liberal Democrat successor now holds 4,250.

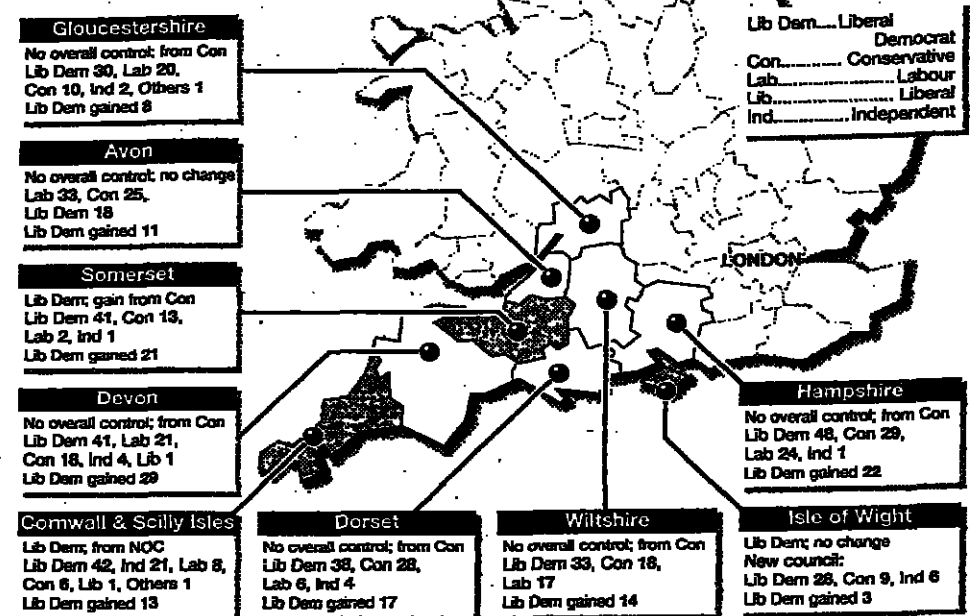
The real breakthrough came in May's county council elections, when an anti-government landslide left the Conservative party in control of just one county - Buckinghamshire - in the south of England.

Even Conservatives are admitting publicly that the Liberal Democrats' increasingly professional and well-organised approach has made them a real threat to the Conservatives, especially in the

Local attraction of pacts Britannica

Liberal Democrats are gaining influence through alliances, say Kevin Brown and Roland Adburgham

South-west strongholds: Liberal Democrats' surge in May's elections



party's southern heartlands.

"There is a new Liberal Democrat establishment being built up," says Mr Tony Speller, the former Conservative MP for North Devon, who lost his seat to a Liberal Democrat at the last general election.

"Many of the people who are serving as Liberal Democrat councillors would have been Conservatives 10 years ago, and they are running things perfectly well. There is very little of the brown bread and sandals nonsense you used to get from the Liberals."

It was this realisation that sent Sir Norman Fowler, the Conservative party chairman, scurrying to the south-west earlier this month to assess the damage. Pointedly, Mr John Major, the prime minister, told much the same ground in the first of his morale-boosting forays into the regions last week.

With the prime minister's backing, Sir Norman delivered a strong warning to last week's cabinet meeting about the urgent need to halt the Liberal Democrat bandwagon. As of now, he told the cabinet, the Liberal Democrats are the number one political target.

To the Liberal Democrats, that kind of talk smacks of King Canute ordering the waves to retreat. Mr David Fox, the party's western region co-ordinator, acknowledges that it benefited in May from a protest vote, but argues that people were also responding to the party's long-standing local campaigning.

"We didn't just get elected as a protest but as a result of two years of planning and of consistent campaigning," he says. As proof, he claims that membership growth has accelerated since the election.

Mr Paddy Ashdown, the party leader, goes further. "It is quite clear that the Conservatives are running scared in the south-west, and well they might be, since they are now the third party in many places," he says.

"It is very sensible of them to perceive that we are the major challengers in the south of England, but it will not do them any good. We know there is no room for complacency on our part, but we will just go on campaigning with good, solid common-sense policies, and the Conservatives have no idea how to combat that."

There is some evidence that this jibe is correct. Local Conservative activists who heard Mr Major speak in the south-west last week say he appeared more comfortable attacking Labour than spelling out how the party would respond to the Liberal Democrat threat.

However, events since May have shown that the Conservatives are not alone in their confusion. The Tories' losses in the county council elections left all the parties in uncharted territory but the Liberal Democrats can claim to have a clearer strategy.

Put simply, their aim is to grab whatever share of power they can, wherever they can, on whatever terms. The rationale is that the party's best hope of long-term gain is to

build up a record in local government administration. That the strategists believe will undermine the "untied" label often hung on the party by the Conservatives, and help to establish a cadre of good parliamentary candidates.

As a result of May's elections, the Liberal Democrats find themselves playing a role in administering almost all the 22 southern counties, sometimes depending on Labour support, as in Berkshire, East Sussex and Hereford/Worcester, sometimes supporting the Conservatives, as in Hertfordshire, or backing Labour, as in Suffolk, Lincolnshire, Norfolk. In some, such as Oxfordshire, Bedfordshire and Cambridgeshire, all three parties share control; and in others, such as Avon, Essex, Kent and Hampshire, the Liberal Democrats and Labour have established unannounced alliances.

Most of these arrangements are informal, and all have been negotiated locally, sometimes without the participation of national party officials. Some, as in Berkshire and East Sussex, are operated under "conventions" which regulate relationships between the parties.

Others are fiercely disputed. In Wiltshire, for example, the Liberal Democrats claim they have been excluded by an "unholy alliance" of the Labour and Conservative groups. Both major parties deny the charge.

Both Labour and the Liberal Democrats fight shy of characterising any of these loose agreements as "pacts". None involve an agreed policy programme, and in many, alliances rarely shift as issues change.

In Wiltshire the Tories and Labour combined to vote through an operational arrangement (in which the chairperson is elected at each meeting and has no casting vote) but the Liberals and Labour combined to reverse Conservative spending cuts on secondary schools, aid for voluntary organisations and a disabled workshop.

Mr Ashdown and Mr John Smith, the Labour leader, have ruled out any extension of the county council arrangements to parliamentary or European parliamentary seats.

Nevertheless, the Conservative party's inability to rely on the loyalty of its heartland is a serious blow to the government. The Tories will have to reverse this state of affairs to have any real hope of winning the next general election. Much is riding on Commander Selby Bennett's shoulders.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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No way to warn about profits

From Dr B D Morgan Williams.
Sir, How sad that brokers (S G Warburg excepted) did not receive until early on the morning of Monday September 6 a copy of a letter to Thorn EMI's shareholders from the company's chairman ("Surprise at Thorn disclosure", September 7). They should count themselves lucky to have had access to a copy available for inspection in the Stock Exchange on that day.

That letter, which has been largely responsible for a fall in the share price, was allegedly posted on Friday September 3. By second class post. The copy to a shareholder in this house arrived on September 9 with no postmark. As far as the shareholder is concerned, until accounts of the matter were available in newspapers on Tuesday, everybody else was indulging in insider dealing.

The matter does warrant some sort of inquiry, and afterwards, some action. Cynical shareholders will laugh up their sleeves at the thought of uninformed brokers, while simultaneously demanding that individual shareholders, as members of the company, deserve better than a second-class letter that takes nearly a week to arrive. B D Morgan Williams, White Lea, Beach Close, Stratford upon Avon CV37 7EB

Abbey's move into derivatives is entirely logical

From Mr Andrew Stott.
Sir, In his article on Abbey National ("Curious case of the Abbey's habits", September 9), John Gapper expresses some surprise at the "odd" behaviour of Abbey at establishing a joint venture on derivatives products. This is not untypical of commentators who have not yet grasped the fact that derivatives are no longer the exclusive preserve of the large institutional customer but have now become an integral part of the financial system.

Evidence of this is all around us, in the form of fixed-rate and capped mortgages, unit trusts guaranteeing a minimum return, certificates of deposit linked to the FT-SE index, to name a few products that are manufactured and managed using derivatives. It is therefore entirely logical that Abbey, as one of the UK's largest financial institutions, develops this capability.

The argument that such a venture may have an adverse impact on shareholder returns is also spurious. The experience of other banks suggests that this activity, if managed well, can provide superior returns on capital.

The surprise, if there is one, is that Abbey should have waited so long to develop this capability. Andrew Stott, Price Waterhouse, Milton Gate, 1 Moor Lane, London EC2Y 9PB

Appellation was much too quaint

From Mr Baer Pettit.
Sir, Just a small footnote to Julian O'zanne's article ("We're making history here", September 11) from Jerusalem on the recent peace agreement: if one hails from Basildon and works for Barclays Bank one is a foreign exchange (or Forex) dealer. However, if one does the same job, on perhaps a smaller scale, in East Jerusalem one is a money changer. I do not think that someone performing the same task in South Kensington or Oxford Street would merit that quaint appellation. Spare us the vague Biblical references and bogus Orientalism. That way, everyone may understand each other better, eventually. Baer Pettit, 24 Deacons Road, London N1 6JH

Wealth of options for new economy

From Mr Tony Cleaver.
Sir, Mr Christopher McCoy (Letters, September 10) commits the same error in logic as Lord Lawson ("A paean of praise to capitalism", September 4/5). That market societies have outlived centrally planned ones in Europe is self-evident. But we should not let this blind us to the workings of our economic system and trumpet its alleged moral

superiority from the base of a false premise. I have argued that dynamic, economically efficient market societies are not built on stable families but in fact cause their break-up. There is plenty of evidence for that in North America and western Europe. To warn that free markets undervalue long-term social relationships is not to recommend we embrace the opposite, outdated extreme of socialism.

There is a wealth of mixed options between *laissez-faire* and central command - I would hope that we can evolve a mix that prizes and preserves cherished social institutions. Tony Cleaver, BP fellow in economic awareness, University of Durham, 23/26 Old Elvet, Durham DH1 3HY

Consumer electronics: future lies in software and facilities

From Mr Martin Thomas.
Sir, In his analysis of the consumer electronics industry ("How to stand out in a crowd", September 10), Tony Jackson does not mention the implications of the growing role of software. The figures are startling: a top-line television may contain 500,000 bytes (500kB) of software, and this may grow to one million in the next three or four years. A vacuum cleaner currently contains some 8kB - even an electric shaver contains some 4kB.

This software exists to add features and reduce costs, which makes it central to competitiveness. If it contains errors, it may force a product recall. The software is complex, and therefore difficult to get right in every detail, yet some companies still do not treat software development as a task requiring disciplined engineering management. Mathematically sound design methods, and specialised quality assurance.

The growth in the role of software has taken some managements by surprise. In working with companies in the UK and overseas, we often find that software engineering issues are not getting the management attention that they need, with consequent risk to product development time scales and budgets. Software engineering is a hugely important profession. It is far from mature, but modern engineering methods are

reducing development costs and risks. In the future battle for growth and survival in consumer electronics, software competence may well play a greater part than 256M D-Ram chips. Martin Thomas, Holly Lamm, Prospect Place, Beechen Cliff, Bath BA2 4QP

From Mr Shaun O'Riordan.
Sir, Tony Jackson missed the point about consumer electronics. Television sets are not like cars or cornflakes or dishwashers. They don't do anything. People are not bored with television sets; they are bored with the programmes that come through them. Nobody will spend hundreds

of pounds on brilliantly clear, high-definition TV sets that show the same old rubbish. They will spend only if the brilliant new pictures offer services; shopping and banking; takeaway menus; two-way conversations; access to airlines, medical help and advice. Red hot news and wonderful information, amazing new shows.

I'd spend £1,000 on a new telly for all that. Sony seems to be the only one to understand. It has invested in Hollywood. Shaun O'Riordan, The Studio, Duke's Head Yard, Highgate High Street, London N6 5JQ

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- 16-18 May 1994
The International Advanced Materials & Manufacturing Technology Conference
- 23-28 January 1994
18th International Congress of Radiology Exhibition

18-20 February 1994

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Wednesday September 15 1993

Mr Clarke's pay policy

MR KENNETH Clarke, self-styled champion of the cabinet's hard centre but suspected by many of softer inclinations, was always going to have an image problem in his early months at the Treasury. Faced with a gaping fiscal deficit, and with Britain's inflationary past still fresh in the memory, the chancellor could not afford to give the impression that the government will be lax on either wage inflation or public spending.

Yesterday's announcement that the government will freeze next year's public sector wage bill may help to dispel doubts about his resolve, as well as bolstering his credentials as a fearless combatant against the trade unions. By butting up the Tory right, the move should also enable him to keep open the option of a tax increase in the November Budget. Whether it will serve the longer-term interest of the economy is another question.

The precise nature of the medium-term framework for pay-setting, towards which Mr Clarke appears to be moving, remains rather obscure. The sentiment is clear enough: "For next year, 1994-95," yesterday's statement said, "the government will expect any increase in pay for its own employees to be matched by improvements in productivity."

Credibility

For most of the public sector, the consequence of cash limiting pay bills is clear enough: accept a pay freeze or reduce employment. The chancellor's calculation must be that the economic and political risk of adding to unemployment while the economy remains depressed will be outweighed by the rise in fiscal and political credibility from holding back public sector wages.

The medium-term danger is that the gain in fiscal credibility will be undermined by the inflationary signals that the chancellor's public pay policy implies. For Britain's new chancellor appears to have fallen into the very same trap into which chancellors and wage-bargainers have fallen for decades: endorsing the fallacy that real wage increases at the company level are justified if, and only if, they are matched by productivity gains.

Unstable recipe For the economy as a whole, this principle makes sense. But at the sectoral level, it is an unstable recipe. Productivity gains are inevitably faster in manufacturing than in public services. In the short term, encouraging manufacturers to pass their productivity gains to employees, while holding down public sector wages, stores up the old problem of recruitment and motivation of public servants. In the medium term, it just pushes the average rate of wage inflation higher, as public sector workers seek to catch up with the more rapid rises which have been justified in the private sector on the basis of productivity advances.

Moreover, it is the private sector that continues to generate inflationary pressures, as the government's submission to the pay review bodies yesterday makes clear. Public sector wage settlements for this year were just 1.5 per cent compared with expected underlying inflation of 3.75 per cent. But average earnings in manufacturing are still rising at an unsustainable 5 per cent a year.

The chancellor's short-term case for keeping the lid on public sector pay is reasonable enough and it is true that the scale of the problems it causes will depend on whether private wage inflation falls further and stays low. It is for this reason that the chancellor should follow up his public sector pay strictures with a sustained effort to persuade the private sector of its responsibilities. The success of the government's economic strategy requires that average pay in the private and public sectors should rise in line with underlying economy-wide productivity. By appearing to endorse the muddled notion that productivity-related pay increases are always acceptable, he risks sending precisely the wrong signals to private sector wage-bargainers.

More important condition for World Bank assistance should be met today when the International Monetary Fund is expected to approve Hungary's macroeconomic

programme, designed to reduce the budget deficit. The World Bank financing will in turn allow the authorities to inject new capital into the banks by the year-end. The World Bank has recommended an injection of F100bn to bring capital ratios to an initial target of 4 per cent of risk-weighted assets, a big step towards the 8 per cent goal laid down by the Bank for International Settlements.

But the F100bn may not be enough. Hungarian banks have this month been submitting up-to-date estimates for their bad loan portfolios. While no official figures on the extent of the problem are forthcoming, initial signs are that the

findings have spurred the authorities and international institutions into action. A World Bank delegation arrived in Budapest last week to pave the way for a loan for financial restructuring; Hungarian officials say the loan could total \$200m-300m.

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or more than three years the bankers of post-communist central Europe have been waiting in vain for economic growth to solve the problems of loss-making state enterprises.

But growth has proved elusive. Ironically, this is partly because the banks, ill-equipped to assess risk and weighed down by large levels of bad debt inherited from the communist past, have been unable to respond flexibly and imaginatively to the needs of a rapidly expanding private sector.

Now, as Poland and the fast-track economic reformers of central Europe stand poised for a resumption of growth, a radical overhaul of the banking sector, including privatisation of state-owned commercial banks, has become a high priority for governments, central banks and western lending institutions.

The need for urgent modernisation was highlighted in a recent report by the European Bank for Reconstruction and Development and a joint study by the World Bank and the International Monetary Fund into the specific ailments of the Hungarian banking system (see below).

EBRD officials estimate that bad debts represent some 60 per cent of the balance sheet of the largest east European banks, adding that recapitalisation and the introduction of competition, ideally through privatisation, was now urgently needed.

Throughout the region, singling out the main bad debtors has become the first stage in tackling the wider problems of undercapitalised, debt-laden banks. The second, more expensive stage of recapitalisation requires privatisation and funds from both tightly stretched national budgets and international institutions.

It is in Poland, where the dangers of an unregulated banking system were graphically illustrated three years ago by the failure of the ART-Bank with an estimated loss of \$500m, that the privatisation process is most advanced.

It began four months ago with the sale of Wielkopolski Bank Kredytowy, the first of nine state-owned commercial banks to be privatised in the region; the EBRD is a principal shareholder. Last month the government announced that 60 per cent of Bank Śląski, the leading bank in the industrialised Silesian province, would be auctioned to private foreign and domestic investors shortly. Seven other state-owned regional banks, all rived off from the National Bank of Poland, the central bank, four years ago, are also earmarked for sale.

While the Poles have taken the

frailty of central European banks has come to light most rapidly in Hungary. The country was the first in the region, in late 1991, to enact a comprehensive package of western-style legislation on bankruptcy, accounting and commercial banking. These laws have introduced greater transparency, in turn revealing accumulated losses at companies and exposing the capital weakness of the banking system.

A joint World Bank and International Monetary Fund study of the banking system earlier this year revealed the extent of the problem. It showed that most of the country's banks, including the two largest commercial banks, Magyar Hitel Bank and Kereskedelmi Bank, were "technically insolvent according to internationally accepted accounting standards". The report concluded that "the financial system is unable to finance the transformation to a market economy".

The findings have spurred the authorities and international institutions into action. A World Bank delegation arrived in Budapest last week to pave the way for a loan for financial restructuring; Hungarian officials say the loan could total \$200m-300m.

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Anthony Robinson and Nicholas Denton on the urgent need for reform of central Europe's banking system

Clean-up prior to going on sale

lead on reform, the Czechs have taken a different approach which involves, first, the partial removal of bad debt from the books of banks awaiting privatisation. The Czech government has set up a special institution, the Konsolidacni Banka (Consolidation Bank), to tackle inter-enterprise debt. This has accumulated as factory managers have bypassed the banks by supplying each other with goods and services that they have not paid for.

An idea of the compulsive limits that this process can reach was revealed in a recent report by Salomon Brothers, the New York-based

bonds will be swapped for specific portions of the bad debt held by Ljubljanska Bank and other state-owned commercial banks.

Across eastern Europe, refinancing inherited bad debts and "cleaning" balance sheets is being undertaken as a prelude to privatisation. It is accompanied by an explosion of spending on training and new equipment and a big effort to strengthen the supervisory functions of the central banks. The Czech banks alone have created 50,000 jobs in the past three years.

In some cases, as in newly independent Slovakia and Slovenia, cen-

Many of the smaller private banks were set up in the lawless early days of post-communist euphoria by private entrepreneurs or enterprising state factory managers to raise capital for their own needs. Some have already folded and most face rapid demise unless they receive injections of capital and knowhow. Some, like Poland's ART-B, have been closed after the belated discovery of large-scale fraud and embezzlement.

The introduction of western-style laws, with their demands for greater financial transparency and minimum reserve requirements, has

"Bad loans mean higher provisions. These require higher profits, which in turn require the state-owned banks to seek higher spreads [between borrowing costs and lending rates] and higher fees. In this way the banks gradually lose their best clients or weaken the performance of those which remain," he said.

The handicaps borne by the new state-owned banks have placed them at a big disadvantage as they try to confront competition from banks such as CIB and other joint-venture banks, formed with foreign partners or with the local branches of wholly owned overseas banks. Unencumbered by inherited debt burdens, the banks with foreign links have lured away many of the state-owned commercial banks' best customers, including the multinational corporations and other foreign investors who have poured more than \$9bn into central Europe over the past three years. For instance, CIB has grabbed some General Electric business from Magyar Hitel bank, Hungary's largest commercial bank.

Experienced and globally well-connected, the foreign banks have also been able to pick up a growing share of profitable niche services, such as foreign trade finance. But the specialised state-owned foreign trade banks, such as Bank Handlowy in Poland or Hungary's Kulkerkedelmi Bank, which in the communist era enjoyed a near monopoly of trade finance, have managed to hold on to a large share of this business despite the inroads by new players.

As the World Bank, the EBRD, and governments throughout the region prepare to invest heavily in an effort to clear the decks for what they hope will be profitable lending in the future, many of the region's most experienced private sector bankers, like Mr Suranyi, argue that the need for further capital injections will persist until the privatisation process is complete.

But central European governments cannot afford repeated bailouts while committed to tight IMF-imposed budget constraints and a host of competing claims on their slender resources. Ultimately, their lack of cash will prove the most powerful force behind the drive to modernise and privatise the banking system.

From then on, it will be up to the managers and shareholders of banks to shoulder the responsibility for making lending decisions on a purely commercial basis - and to pay the price if they fail.

est recapitalisation.

The shake-up at Magyar Hitel Bank began in April last year when it appointed Mr Istvan Toroskai, a former foreign exchange dealer at the central bank, as its third new chairman in three years.

Mr Toroskai's first act was to order an audit of the loan portfolio. Magyar Hitel Bank found that its non-performing loans had tripled from F25bn in December 1991 to a peak of F78bn last year. Mr Gyorgy Szepesi, deputy chief executive responsible for the investigations, says: "The amounts, the level of risk, the consequences of expansive credit policy up to 1991, all gave us a shocking surprise."

Now that the bank has a clearer idea of the problem, it has moved on to the remedial phase. This summer the board authorised senior management to set up a special corporate finance unit. To manage the unit Mr Toroskai has brought in Mr Robin Winchester, an experienced international banker who built up Citibank Budapest into one of the most profitable foreign banks in central Europe.

This "bank within a bank", on the fifth floor of Magyar Hitel Bank's headquarters in Budapest's banking hub, has taken over responsibility for Hitel's 80 largest debtors and their outstanding loans of more than F100bn (\$1.05bn). Hungary's banking reforms depend as much as anything on the success of this "bank within a bank".



A frail system: the post-communist era has been tough for central Europe's banks, especially those in Hungary

investment bank. The study noted that mutual default on payments between enterprises grew 83-fold in Russia over the first half of last year and had become the main source of financing economic activity in that country.

Central Europe does not have a problem on the Russian scale. But in 1991 a third of the total Koz250bn debt portfolio of Komerční Bank, the largest Czech state-owned commercial bank, was transferred to the Konsolidacni Banka, which acts in effect as a state-financed "dustbin" for non-performing loans.

A different approach is being attempted by the former Yugoslav republic of Slovenia, which has issued 30-year government-guaranteed bonds worth DM3.5bn. The

trading banks have had to be created. Elsewhere, existing central banks, which used to deal with virtually all banking business in the centralised communist system, have been remodelled on western lines and told by their governments to concentrate on banking supervision. Governments have also introduced banking laws covering bankruptcy and related issues, to bring financial markets legislation into line with the European Community.

To attract much-needed expertise as well as fresh capital, western banks are being encouraged to set up local branches or take stakes in the new state-owned commercial banks (hived off from central banks) and the small, undercapitalised local private banks.

exposed the fragile condition of many of the region's banks. The loan books of state-owned commercial banks are full of what were once regarded as the jewels of socialist industry. But most of these so-called jewels, especially the privileged defence plants, were found to be severely tarnished with non-performing loans granted under political, rather than economic, priorities.

"Now the state-owned banks are caught in a trap," said Mr Gyorgy Suranyi, a former governor of the Hungarian central bank, who runs Central-European International Bank, the oldest, largest and most profitable of the private joint-venture banks set up with Hungarian and foreign capital.

Hungary for capital

Nicholas Denton on Budapest's search for western aid

programme, designed to reduce the budget deficit.

The World Bank financing will in turn allow the authorities to inject new capital into the banks by the year-end. The World Bank has recommended an injection of F100bn to bring capital ratios to an initial target of 4 per cent of risk-weighted assets, a big step towards the 8 per cent goal laid down by the Bank for International Settlements.

But the F100bn may not be enough. Hungarian banks have this month been submitting up-to-date estimates for their bad loan portfolios. While no official figures on the extent of the problem are forthcoming, initial signs are that the

defaults and recapitalisation costs could be higher than first thought. This week, criminal investigations by the chief prosecutor's office have also disclosed that fraud, bribery and other financial crimes have cost banks F116bn-F118bn.

Hungarian government officials alarmed by the cost of the bail-out, are anxious to ensure that loan losses never again spiral out of control. "We must not convey the message that whenever you run into difficulties someone will bail you out," says Mr Peter Bod, chairman of the National Bank of Hungary, the central bank.

The authorities are therefore improving bank monitoring. The

central bank has set up its own banking supervision department. And the State Property Handling Company (AV RT), the holding company which exercises the state's controlling stakes in the banks' performance," says Mr Szabolcs Szekeres, AV RT chairman.

But monitoring by the authorities, at least in an economy which is rapidly being liberalised, cannot substitute for better management. The greatest effort is required at Magyar Hitel Bank, banker to Hungary's largest and most troubled enterprises and in need of the larg-

HUNGARY'S BANKS: A CAUSE FOR CONCERN (%)

	Risk weighted assets	Capital adequacy	Capital adequacy ratio %	Cost to recapitalise 4% capital adequacy ratio
Magyar Hitel Bank	240.8bn	-18bn	-7.5	28.8bn
Budapest Bank	83.7bn	2bn	2.2	1.7bn
Magyar Kereskedelmi Bank	75.1bn	12.1bn	16.1	0.6
Kereskedelmi Bank	161.7bn	-13.7bn	-8.5	20.2bn
Országos Takarékpénztár	413.1bn	-1.8bn	-0.4	18.2bn
Other banks	269.5bn	-20bn	-7.5	30.5bn
Total	1,249bn	-40.2bn	-3.2	69.2bn

Source: Credit Suisse First Boston and World Bank-IMF projections for 1993

OBSERVER

Presidential problems

■ Poor Chancellor Helmut Kohl. He desperately wants to succeed German, or Cseres, to succeed Richard von Weizsäcker as president. Yet the candidate he has in mind is currently enjoying a miserable 5 per cent popularity rating in national opinion polls, while the candidate he least desires is scoring 55 per cent.

The favoured contender of Kohl's Christian Democratic Union party is Steffen Heitmann, 49-year-old justice minister of Saxony.

Before reunification Heitmann had been active in the Lutheran Church, a focal point for opposition to the communist regime. He is something of a traditionalist, preaching the virtues of nationhood, security and the need for German womanhood to spend more time at home. Despite such credentials, Heitmann has not yet been folded fully into the bosom of the CDU.

But having struggled to get Heitmann accepted in the first place, the CDU's movers and shakers in Saxony are determined to see it through.

Nevertheless, Hans Dietrich Genscher, the former foreign minister, is still the runner most favoured by the Free Democrats, the junior partner in the governing coalition. Genscher has said no many times,

but then so did Mae West. Genscher has distinct advantages. He is easily the public's favourite; he can also boast Oesle credentials - he was born in Halle, Saxony-Anhalt. His only handicap, it appears, is that Kohl would not wish to see his former rival back in such limelight.

Smallish war

■ Political crisis time again in Lilliputian Lichtenstein, where partisan patronage dies hard.

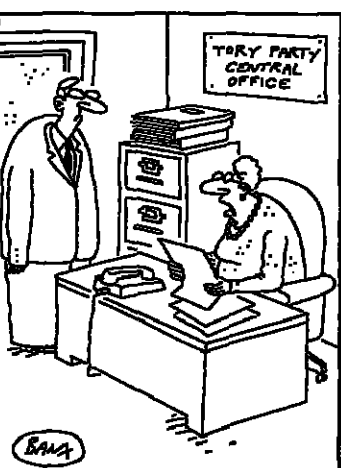
It has been just a year since Prince Hans Adam, the last monarch in Europe with any real power, threatened to dissolve parliament (with 25 members) because of the resistance of the government (five members) to moving closer to the EC.

Now a new parliament has voted out its youngest ever prime minister after only four months, his own party deserting him because he put a member of the opposition in charge of the civil service.

The prince, who opined that the 34-year-old Markus Büchel had done no wrong, warned again that he would dissolve parliament if they voted him out. Watch this space.

Birth pangs

■ Hilmar Kopper, chief executive of Germany's Deutsche Bank, may lack the urbanity of his predecessor,



'Donations from teachers and firemen have dried up'

Alfred Herrhausen, but he's still a dab hand at verbal finesse. In Milan yesterday for a rare board meeting outside Frankfurt, Kopper recalled Deutsche Bank's role as a co-founder 98 years ago of Banca Commerciale Italiana, one of Italy's biggest and most prestigious financial institutions.

"We could be available for a rebirth," said Kopper, when quizzed about his bank's possible interest in buying assets from the newly privatisation-minded Italian government.

Then he realised the need to avoid giving the impression that Deutsche Bank might want to buy BCI, rather than just peddle some

of the shares in any flotation. "Let's just say we would very much like to help with the delivery," he explained.

Bock and tackle

■ Lord Palumbo says his father gave him a maxim, which was "only do one thing well". This may explain the chairman of the Arts Council's 35-year obsession to redevelop the site adjacent to the Bank of England.

Now joining Palumbo in the parade ground of Mansion House square is Dieter Bock, joint chief executive of Lomrho, whose own property company is putting money into the scheme.

Bock's father probably passed on a different motto. Recently hard at work refocusing Lomrho in tandem with his Tiny Rowland, Bock is perhaps trying to do many things well.

Lomrho remains the priority, he says, but his assertion that his involvement in Palumbo's project would only occupy a couple of days a year touched Palumbo's perfectionist streak. How could Bock resist straying on to the site each day, given he passes it en route to Lomrho HQ in Cheapside?

Optimum speed

■ Full marks to the tax faculty of the Institute of Chartered Accountants in England and Wales

for a strongly worded missive on Monday. The bean-counters savaged proposals emanating from HM Customs & Excise to prevent holding companies from receiving VAT rebates.

Unfortunately, last Friday Customs issued a press release announcing it had all but abandoned its proposals. Perhaps the tax faculty had difficulty understanding the release; it contained so many double negatives that a sceptic might think Customs was trying to conceal all suggestion it had backed down. Or maybe the tax accountants were just exhibiting their characteristic caution and holding fire until they knew they had backed a winner.

Then again, those more familiar with the labyrinthine workings of the Institute might feel there is another explanation. After all, the original Customs proposals were announced last October.

Writer's cramp

■ London's literary world was buzzing yesterday. "Wanted - billionaire art-lover" read the classified ad tucked away in the FT's London edition.

Who was the "distinguished playwright/author" planning to leave England, "due to health", offering to sell 51 per cent of all "past, present, future" for "Am"? All Observer could discover was that John Osborne, Harold Pinter et al are staying put.





President calls on US to embrace global economy

Clinton underlines his support for Nafta pact

By Nancy Dunne in Washington
and Damien Fraser
in Mexico City

THE White House yesterday produced an extraordinary display of bipartisanship, pageantry and salesmanship which laid to rest any doubts about President Bill Clinton's commitment to congressional passage of a North American Free Trade Agreement.

However, an unexpected twist in Mexico City saw President Carlos Salinas using the same occasion for the signing of labour, environmental and import surge side agreements - as an opportunity to downplay the deal's importance to the Mexican economy.

"No one will do for Mexico what Mexico does not do for itself," he said.

In Washington, Mr Clinton said his administration would "make our case as hard and as well as

we can," in support of the pact between the US, Canada and Mexico. "Nafta will create jobs - good paying jobs. If I didn't believe that, I wouldn't support this agreement."

The US ceremony began with the entrance of Presidents Clinton, Bush, Carter and Ford walking abreast to the strains of Hall to the Chief.

Vice-president Al Gore, the first up to the podium, praised the "long series of commitments by presidents of both parties" which paved the way for Nafta. He lauded the bipartisan US foreign policy, in place since the second world war, as "how we won the cold war... how we promoted peace and reconciliation in the Middle East."

Mr Clinton ad libbed at length - too much length, so that the three ex-presidents eventually sat down - but he rescued his performance with several moments of

real eloquence. Most important, he framed the Nafta debate, in a way that has been previously lacking, as about whether Americans would "embrace" the changes in the global economy or "try to resist them and try to preserve the economic structures of yesterday."

The president said workers had become "vulnerable to fear tactics - that is behind most of the opposition to Nafta". However, he said, "when you live in a time of change, the only way to recover your security is to broaden your horizons and to adapt to the change."

Each former president urged support for Nafta. It fell to Mr Jimmy Carter to take on Mr Ross Perot, the billionaire leading opposition to Nafta, as "a demagogue... who has unlimited financial resources" and "is extremely careless with the truth".

French try to protect Europe from Hollywood

By David Buchanan in Paris

FRANCE yesterday stepped up the campaign to prevent what it sees as an American attempt to use the Gatt world trade negotiations to swamp Europe with Hollywood films.

Announcing yesterday an extra FF100n (88.5n) in aid to encourage film-making in France, Mr Jacques Toubon, France's culture minister, also warned in an interview with *Le Figaro* that if a Gatt agreement were to cover the cinema, the French government "will not sign it".

France is not threatening to veto Gatt over the cinema, as it is over agriculture, because it cannot credibly claim that the livelihood of less than 4,000 French employed in full-time film-making is as vital a national interest as the future of more than 1m farmers. Paris would therefore probably allow itself to be outvoted on any audiovisual deal.

But Mr Toubon's statements inject a sharper note of cultural animosity into its relationship with the US, already strained over agriculture.

Complaining that US films like *Jurassic Park* and *Last Action Hero* were already taking too large a slice of the French cinema market, the minister claimed that Gatt's general free trade principle of non-discrimination would make it impossible for France to keep its regular FF1.3bn a year subsidy for the making of French films and its requirement that French broadcasters must air a minimum of 60 per cent EC-made films.

The special aid announced by Mr Toubon yesterday is particularly aimed at helping French studios fighting competition from lower cost locations in eastern Europe and Portugal.

As with agriculture, France is at odds with some of its EC partners, and the European Commission, over the right approach to the US in Gatt. Paris argues that Europe must keep audiovisual trade outside Gatt by claiming a total "exception" for it.

By contrast, the Commission maintains that by including audiovisual products, while insisting on the "specificity" of this sensitive cultural area, the EC would be better placed to defend Community broadcasting legislation, as well as the tougher national provisions of countries like France, from unilateral US attack in the future.

The EC's television broadcasting directive merely recommends that European stations schedule a majority of EC-made programmes. French legislation requires national stations to air a minimum of 60 per cent of EC-made programmes, while also subsidising local film-making with the proceeds of a 5.5 per cent levy on TV station turnover and an 11 per cent tax on cinema tickets.

THE LEX COLUMN

Japan's double-dip

Yesterday's economic figures confirm that Japan is experiencing its very own double-dip. Stagnation at home and the brow-beating from Washington on trade can only increase pressure on the government to deliver an economic package of substance tomorrow. Two rounds of blunt fiscal stimulus totalling ¥24,000bn have failed to stimulate recovery. Something more imaginative is now required.

Since Mr Morihiro Hosokawa's fragile coalition is split on personal tax cuts and the scope for deregulation of business, it is far from clear that he can deliver. Still, serious gestures in the direction of deregulation and measures to stimulate personal consumption might at least relieve upward pressure on the yen. Evidence that the structural causes of Japan's trade surplus are finally being addressed might persuade the US to stop talking up the Japanese currency. The impact on the markets would be all the greater if such a package were to be followed by a cut in official interest rates.

While the trade surplus remains stubbornly high in dollar terms, though, anything more than a gentle depreciation of the yen would again upset the apple cart with Washington. On that basis the recent strength of the Tokyo equity market is perplexing. As in other markets low deposit rates are encouraging a flow of savings into equities. But without coherent measures to nurture a consumer-led recovery, reasons for optimism are few and far between.

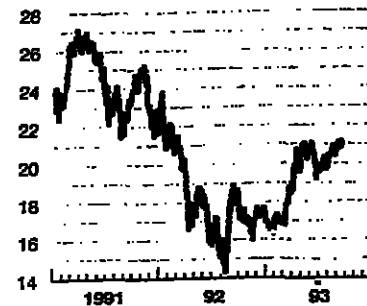
Lafarge Coppée

Several special factors may have helped protect Lafarge Coppée's half-year earnings, but its trading performance has proved surprisingly resilient nonetheless. Although the French construction market has fallen away sharply this year, Lafarge has contained the damage thanks to its cost cutting campaign and overseas expansion. The US recovery has helped offset the downturn in mainland Europe while other markets, such as eastern Germany and Brazil, have remained particularly perky. The French cement market is also proving more orderly than that in many other countries. While volumes have fallen sharply, prices have remained relatively firm. France is certainly better protected than the UK from cheap imports: its main population centres are located further from the coast making transportation costs prohibitive. Despite its sanguine trading state-

FT-SE Index: 3028.0 (+3.2)

Japan

Nikkei Average ('000)



Source: FT Graphix

sector, many of whom are still enduring pay freezes.

Although the Treasury's plan looks ambitious, the prospects are thus far continued constraint on public sector pay. Desirable as this may be for the overall economy, it will not do much for consumer confidence. Individuals will need rising real incomes before rushing back to the housing market and resuming purchases on credit. Indeed, there is an inherent contradiction between pay restraint working only because of a weak economy and expectations of a sustained consumer-led recovery. That makes yesterday's weak figures on manufacturing output all the more disappointing.

Kingfisher

Kingfisher's passionate adoption of everyday low pricing is certainly a marketing success. The "key DIT" initiative from B&Q has put a stop to the blitzkrieg price battles of last year. Since B&Q has by far the largest sites and is striving for high productivity, it is well placed to win the French war it has started instead. Significantly, B&Q increased its first half profits while Texas slipped back and Do It All's losses ballooned.

Yet while it has sold the message, Kingfisher has a long way to go before it fully implements the low price philosophy. Only some 20 per cent of B&Q's sales are explicitly covered by it and the company is clearly still tinkering. The jump in sales at Woolworth suggests it may have been a little too aggressive in cutting gross margins. Superdrug's poor performance shows how its weak market position makes it even more vulnerable to supermarkets than Boots, however much Superdrug hypes its promotions.

The weak service element in several Kingfisher chains also needs correction, while the tardy roll-out of electronic point of sale equipment makes streamlining operations more difficult. Perhaps the arrival of Mr Alan Smith from Marks and Spencer will help. He brings experience of innovation, systems and of grinding out consistent performance gains.

As Kingfisher is having most of the right ideas, however, it does not do to carp. Its strategy may slowly throttle some groups which are currently better placed. In the longer term Kingfisher's cash generation bodes well and, who knows, even the French romance with Darty may not end in tears.

UK economy

The government must be particularly anxious to keep the lid on public sector pay. Any hint of weakness would undermine its credibility on inflation and raise new worries about the size of the public sector borrowing requirement. The result could be a nasty setback in the gilts market at a time when the funding need is still high. It is thus no surprise that the Treasury has come out with a stand on pay which could bring it into direct and embarrassing confrontation with the review bodies.

Cynics will say that that by allowing increases to be financed by efficiency gains, the government has opened the door to spurious productivity deals that will end up breaching its cash limits. Doubtless there will be an element of fudge: it would be a miracle if the government could keep its wage bill unchanged in cash terms next year. But its 1.5 per cent limit for its current year has worked better than many anticipated and public sector workers will attract little sympathy from their counterparts in the private

Jordan in peace move

Continued from Page 1

ultra-orthodox Shas party, which has effectively quit the Labour-led coalition, said he had recommended the party's spiritual mentor to demand a referendum be held on November 3.

Mr Deri said he had instructed the interior ministry, which he headed until his resignation took effect yesterday, to make preparations for a referendum. No government decision has been made.

Two Palestinians died in further violence in the occupied Gaza Strip yesterday, including a suicide bomber who blew himself up in a police station in an apparent protest at the peace deal.

Mr Warren Christopher, US secretary of state, welcomed the outline deal between Jordan and Israel as a "signpost of the progress we hope and expect will soon come" in peace talks involving Syria and Lebanon.

Rexrodt ends peace role

Continued from Page 1

quarters and the home of Mr López and seven of his colleagues. Since then there has been no further contact.

The public row between the two sides has subsided recently while the haul of documents and 250 computer diskettes seized during the search is analysed. Ms Dorothea Holland, the prosecutor in charge, is understood to be examining computer data.

An independent probe at VW, ordered by the group's supervisory board, and undertaken by auditors KPMG Deutsche Treuhand, is not expected to end for at least another month.

Florida holidays hit after murder of another tourist

By George Graham
in Washington

HOLIDAYMAKERS are cancelling trips to Florida, with yesterday's murder of a British tourist creating the latest in a series of foreign victims of violence in the state.

Florida police said Mr Gary Colley, aged 34, was killed and Ms Margaret Jagger wounded when they were attacked in a lay-by near Tallahassee, the state capital, in the early hours. Ms Jagger was later released from hospital.

Mr Colley's death follows the killing last week of Mr Uwe-Wilhelm Rakebrand, a German tourist, in a highway shooting in Miami. He was the ninth foreigner to be killed in Florida this year.

Mr Greg Farmer, the Florida state secretary of commerce, said cancellations at hotels and resorts were running at around 20 per cent after Mr Rakebrand's killing, and the latest attack would probably inflict more damage on the state's \$31bn a year tourism industry.

"It is going to be just catastrophic. This is going to have a very, very negative impact," Mr Farmer said.

Mr Ken Fortune, the county sheriff, said he believed the British couple had been chosen at random, and not targeted as foreigners.

Governor Lawton Chiles announced a \$10,000 reward for information leading to Mr Colley's killers, and he asked the federal government for help in

the effort to crack down on crime. The British and German governments already issue warnings to tourists about the dangers of travelling in Florida, but travel agents in Europe have generally distinguished Miami from the rest of the state, and advised their customers to pick destinations such as Orlando or St Petersburg.

Six of the foreign visitors who have fallen victim to Florida's violence this year were attacked in the Miami area, but yesterday's shooting took place in the state's quieter northern panhandle.

Tallahassee is a quiet town festooned in Spanish moss, more akin to neighbouring Georgia or Alabama than to the brasher Miami coast.

Florida's murder rate of 10.7 per 100,000 population, however, is lower than Georgia's and well below the rate in states such as Louisiana, New York and Texas. And the murder rate in Miami is far lower than in Birmingham, Atlanta or St Louis, let alone Detroit or New Orleans.

Mr Colley and Ms Jagger were sleeping in their car in a rest area around 25 miles from Tallahassee when two teenagers approached their car and banged on the windows. The two assailants opened fire when the British tourists tried to drive away.

An attendant at the rest area gave police a description of the attackers, who escaped in a red car with no licence plates.

Around 40m tourists visit Florida every year, and some 17 per cent of them are foreigners.

FT WORLD WEATHER

Europe today


A front associated with a weakening depression over northern Germany will cause windy and rainy conditions over England, southern Scandinavia, Denmark and the Baltic states. Thundery showers will occur over the Balkans and southern Italy. High pressure will persist over Scandinavia bringing sunny intervals, especially along the Norwegian coast. Temperatures will stay unseasonably low with widespread frost at night in Lapland. A second low pressure area over the Bay of Biscay will be responsible for unsettled and cool conditions over the Low Countries, north-west France and parts of Portugal. However, south-eastern Spain, Greece and Turkey, will have sunshine with temperatures between 25C-30C.

Five-day forecast

A westerly flow will continue to bring depressions from the Atlantic to western and central Europe resulting in unsettled and cool conditions. However, a ridge of high pressure, passing the British Isles tomorrow, and the mainland over the weekend, will bring temporarily drier conditions. Scandinavia will stay settled and dry in most places. Southern Europe will have sunny periods, but also a few thundery showers.

TODAY'S TEMPERATURES

	Maximum	Belfast	fair	14	Cardiff	cloudy	15	Frankfurt	showers	18	Malta	thund	28	Rio	sun	24	
	Celcius	Saigrae	thund	28	Chicago	cloudy	18	Geneva	shower	17	Manchester	rain	14	Riyadh	sun	41	
Abu Dhabi	sun	39	Berlin	cloudy	17	Cologne	cloudy	16	Gibraltar	sun	27	Madrid	thund	31	Rome	fair	24
Accra	fair	31	Bernuda	fair	32	D. Saleam	sun	30	Melbourne	sun	27	Manila	rain	22	S. Francisco	sun	22
Algiers	fair	30	Bogota	rain	19	Dakar	sun	30	Hamburg	rain	13	Mexico City	shower	23	Seoul	fair	29
Amsterdam	showers	19	Bombay	fair	31	Dallas	sun	24	Helsinki	sun	9	Miami	thund	32	Singapore	thund	31
Athens	sun	25	Buenos Aires	cloudy	28	Dubai	sun	28	Hong Kong	cloudy	30	Montreal	rain	30	Stockholm	rain	18
B. Aires	sun	20	Budapest	sun	21	Dublin	cloudy	12	Istanbul	sun	28	Moscow	rain	10	Strasbourg	shower	18
B. Ham	rain	14	C. Hagen	rain	12	Edinburi	thund	13	Jersey	showers	29	Nairobi	sun	27	Sydney	showers	18
Bangkok	cloudy	33	Cairo	sun	38	Dorobovnik	thund	13	London	sun	23	Nassau	sun	27	Taipei	sun	35
Batavia	fair	25	Cape Town	sun	28	Edinburi	thund	14	Kuwait	sun	23	Naples	cloudy	25	Tokyo	rain	27
Beijing	fair	30	Caracas	shower	28	Farø	sun	25	L. Angeles	fair	27	New York	thund	29	Tunis	sun	28
									Las Palmas	fair	27	Nice	fair	22	Vancouver	fair	20
									Lima	cloudy	20	Nioca	sun	34	Venice	cloudy	22
									London	cloudy	23	Nice	sun	34	Vienna	cloudy	21
									Osaka	sun	12	Paris	showers	18	Warsaw	cloudy	17
									Perth	sun	12	Perth	showers	18	Washington	fair	29
									Prague	sun	12	Prague	cloudy	16	Wellington	cloudy	19
									Rangoon	sun	27	Rangoon	sun	13	Winnipeg	fair	18
									Reykjavik	sun	27	Reykjavik	cloudy	11	Zurich	shower	17



Latest technology in flying: the A340

Lufthansa

German Airlines

INTERNATIONAL COMPANIES AND FINANCE

San Paolo stock falls on news of banking link-up

By Haig Simonian in Milan

SHARES in Istituto Bancario San Paolo di Torino, Italy's biggest banking group in asset terms, fell sharply yesterday as investors digested details of the merger with two quoted subsidiary banks announced on Monday night.

Stock in San Paolo, which was floated in January, dropped by almost 5 per cent to L10,272. By contrast, shares in Banco Lariano climbed by 4.4 per cent to L4,750 while Banca Provinciale Lombarda rose by just over 3 per cent to L4,010.

The merger will confirm San Paolo's position as Italy's dominant banking group, with total assets of about L200,000bn (\$130bn) and almost 1,600 branches. However, the bank is expected to maintain the separate trading identities of its three operations to retain cus-

tomers' loyalties. Both Comobased Banco Lariano and Bergamo-based BPL are situated in the wealthiest parts of Lombardy, Italy's richest province.

Shareholders in BPL will be offered 10 San Paolo shares for every 24 shares held. The swap ratio for Banco Lariano shares involves 10 San Paolo units for every 21 shares currently held.

The share price movements caused little surprise among analysts, who said the terms had been devised to encourage shareholders in the subsidiaries to take up the offer. If all shareholders agree, the proportion of San Paolo's capital which is floating will rise to about 26 per cent from about 22 per cent at present.

The amalgamation is predominantly tax-driven, with San Paolo taking advantage of a special Italian law to encourage bank mergers by granting

substantial tax breaks for a number of years. The San Paolo group is expected to save about L70bn a year between 1993 and 1995 once the deal is completed.

Separately, the three banks have also reported first-half earnings. San Paolo said net earnings amounted to L213bn, while Banco Lariano reported net profits of L87bn. None of the banks provided comparable figures for the previous year.

San Paolo is likely to need all its tax savings to offset a severe rise in bad-debt provisions this year owing to the recession. The bank is believed to be heavily exposed to the troubled Ferruzzi group, and is also among the principal lenders to a number of other big companies which are now negotiating debt rescheduling pacts with their creditors.

Barco rises 34% on positive US demand

By Andrew Hill in Brussels

NET PROFITS at Barco, the Belgian electronics group, increased by 34 per cent in the first half of 1993 to Bfr373m (\$10.9m) from Bfr279m.

Current profit after tax rose from Bfr436m - restated to take account of new valuation rules - to Bfr535m on sales of Bfr5.12bn against Bfr4.94bn.

Sales outside the EC make up 41 per cent of total turnover, compared with 36 per cent in the first half of 1992.

The group said it expected the trend towards better results to continue in the second half, in spite of the fact that Europe is suffering from recession. "A slight recovery of the economy can, as in the US, bring with it a significant increase in turnover," the company said yesterday.

Barco said that demand for its products remained positive in the US, which accounts for 27.5 per cent of the turnover in the group's dominant division, manufacturing video display units and projection systems.

Consolidation of goodwill reduced current profits by Bfr162m, compared with a reduction of Bfr156m last year, but current cash flow rose from Bfr963m to Bfr1.03bn.

Almanj, the Belgian financial holding company, will pay a net interim dividend of Bfr180 per share at the end of October. The company is extending this financial year to 18 months to bring its accounts in line with those of Kredietbank, the Belgian bank in which it has a substantial stake. In the 12 months to June 30, the group made a profit of Bfr1.87bn, against Bfr1.71bn in the equivalent period. Kredietbank will announce its interim results tomorrow.

The European Commission said it had cleared the purchase by Alcatel Cable of the submarine telecommunications systems and satellite television antenna business of the UK's Northern Telecom Europe Ltd a unit of Northern Telecom of Canada, Reuter reports from Brussels.

Spain prepares to merge gas groups

By Peter Bruce in Madrid

THE Spanish government is preparing to create one of the largest natural gas companies in Europe. Gas Natural, the national domestic gas distributor, is to be merged with Repsol, the state-controlled energy group, to form Enagas.

The deal, it is understood, could raise between Ptas80bn and Ptas120bn (\$939m) for the government and help control its billowing public deficit.

The move will transfer control of all of Spain's gas purchasing and distribution to the private sector, reconfiguring the power currently invested in Mr Oscar Fanjul, the president of Repsol.

The purchase, which Gas Natural will probably finance through a capital increase, could be finalised by the end of the year.

Mr Fanjul, who has led a series of partial privatisations at Repsol to the point where the state's stake has dropped well below half, is also chairman of the Instituto Nacional de Hidrocarburos, which controls Enagas.

He has been a firm supporter of faster privatisations than

the country's nominally socialist government has been prepared so far to undertake.

Government officials believe that by merging Enagas and Gas Natural, Spain will be able to create a gas company capable of competing at an international level with larger rivals such as Gaz de France and British Gas.

Similar reasoning lay behind Madrid's support in the late 1980s for mergers among the country's banks.

Gas Natural was created in 1991 through a merger of Catalana de Gas in Barcelona and Gas Madrid. The group, controlled by Repsol and La Caixa, the big Catalan savings bank, has since been absorbing domestic gas distributors throughout Spain.

It now accounts for about 40 per cent of the gas sold in Spain and has begun to compete, with other state-backed Spanish corporations, to buy privatised assets in Latin America. Last year, it took control of the natural gas distributor to northern Buenos Aires.

The group made net profits last year of Ptas12.3bn and analysts are forecasting profits of nearly twice that in 1995 as gas consumption grows in Spain.

According to the state's



Mr Oscar Fanjul, president of Repsol, set to control both supplier and distributor

national energy plan for 1991 to 2000, non-electric gas consumption will grow by 7 per cent a year for the next seven years, doubling its contribution to national energy consumption from 6 per cent to 12 per cent.

Enagas, Spain's only importer of natural gas, is also the only supplier to the urban distributors, now dominated by Gas Natural.

It also supplies gas directly to large industrial users outside the Basque Country and Catalonia. It is building a pipe-

line to carry gas into Spain from North Africa and accounting for half the gas sold in the country.

But its commercial fortunes are sometimes hampered by the Gas Protocol of 1985, through which it is required to supply gas to Spanish distributors at a fixed price, whatever it is able to buy at on international markets. In 1991 Enagas reported losses of Ptas3.6bn.

This formula is due to be revised in 1995 and it is possible that instead of throwing itself into an exhausting round of regulatory and pricing negotiations with distributors, the government has thought it easier and more profitable to slide Enagas across the table to Mr Fanjul and La Caixa and let them control both supplier and distributor.

In a further move designed to shore up the government's shaky finances, Argentina, the pool of state-controlled banks which privatised a part of its stock earlier this year, said yesterday it was in touch with more than 40 national and international institutions in an effort to gauge enthusiasm for a further flotation soon. Argentina was given cabinet permission earlier this month to float more of its shares.

Crédit Lyonnais to float third of insurance unit

By John Riddling in Paris

CREDIT LYONNAIS, the French banking group, plans to float one-third of Union des Assurances Fédérales, its insurance subsidiary, on the Paris second market, the company announced yesterday.

A spokesman for Crédit Lyonnais said that the decision to sell a stake in UAF was part of the group's strategy of raising capital through the listing of subsidiaries.

UAF is valued at about FF1.6bn (\$285m) in Crédit Lyonnais' accounts. A sale of one-third of the group would raise between FF500m and FF700m in capital, according to analysts' estimates.

Following its listing, expected by the end of the year, UAF will be one of the biggest companies on the Paris second market. One of France's 20 largest insurance groups, it had turnover in 1992 of FF8.49bn in life assurance and FF3.65bn in general insurance. Last year it posted net profits of FF936m. A spokesman for Crédit Lyonnais said that he expected UAF to increase profits by 10 per cent this year.

Ems-Chemie cautious in spite of 13% advance

By Ian Rodger in Vienna

EMS-CHEMIE, the Swiss specialty chemicals group headed by Mr Christoph Blocher, has reported a 13 per cent rise in operating profits in the first eight months of the year to SFr61m (\$43.3m).

However, the group forecast only that operating profits in the full year "should reach at least last year's level". Operating profit last year was SFr92m.

Warburg appoints head of German securities

By David Waller in Frankfurt

S. G. WARBURG, the London-based investment bank, has appointed Mr Lutz Wille as head of securities for its German operations.

For the past two years Mr Wille, 54, has been chief financial officer of the Colonia insurance group, and before that he spent 20 years at Commerzbank, latterly as head of securities.

The appointment is sym-

metric of international investment banks' desire to recruit high-ranking German financiers to help them penetrate the difficult German market.

Warburg has had problems in Germany, recently losing a managing director and its highly rated team of German equity analysts to separate US investment banks.

It has also suffered disruption as it moved its office from Munich to Frankfurt this year.

Greek bank plans rights to fund Balkan expansion

By Kerin Hope in Athens

COMMERCIAL Bank, Greece's second-largest banking group, is seeking to raise Dr49.3bn (\$210m) through a rights issue to help it expand into other Balkan markets.

The bank, which has a market share in Greece of about 30 per cent, reported pre-tax profits of Dr14bn for the first half of 1993, up from Dr11.5bn the previous year.

Commercial Bank started restructuring two years ago, disposing of non-banking assets and writing off some Dr14bn in debt owed by public sector Greek companies.

The bank last year sold a loss-making shipyard to a London-based Greek shipping company and a small banking subsidiary, Bank of Piraeus, to a group of Athens businessmen. It is considering a merger with Ionian Bank, another,

profitable, subsidiary, which has also undergone restructuring. The move would raise the group's local market share to over 25 per cent and add another 100 branches to its Greek network.

Another subsidiary, Investment Bank, is being liquidated. Most of its assets, amounting to around Dr19bn, will be divided between Commercial Bank and Ionian Bank, the two main shareholders.

Commercial Bank's two-for-five issue is being made at Dr500 per share, close to book value. Once the issue is completed, later this month, one bonus share will be offered for every 10 old shares held.

About Dr30bn of the funds raised will be used to set up branches in Romania and Bulgaria by next year. The bank also plans to become the first Greek commercial bank to operate in Turkey.

Austrian construction group to raise Sch850m

By Ian Rodger in Vienna

BAU HOLDING, Austria's largest construction group, is raising around Sch850m (\$75m) in a one-for-six rights issue of ordinary voting shares to ordinary and preferred shareholders.

The family-controlled group, which has been expanding rapidly in eastern European markets, plans acquisitions in the Czech Republic and Slovakia to consolidate its position there.

Bau is the second Austrian construction group to seek new equity in recent months, arch-rival Maculan having raised Sch650m in late June, also to finance eastern European expansion. Maculan has tended to concentrate its expansion in eastern Germany while Bau has spread its interests more widely.

The Haselsteiner family and a few associates, who hold 73

per cent of the unlisted 3.4m ordinary voting shares, are not taking up their rights, so their position will drop to about 55 per cent following the issue. All other ordinary shareholders, mainly an Austrian bank and a few Bau executives, have also waived their rights.

Their shares will be placed by Bank Austria and S. G. Warburg in domestic and international markets. It is agreed that about half of the total issue, that is, 450,000 shares, will be placed internationally.

The 1.7m non-voting preferred shares are held widely following a flotation in 1990. Bank Austria is also underwriting the 280,500 new ordinary shares in the rights issue allocated to them.

The price of the rights shares is to be fixed on September 22, and is expected to be close to the current Sch1,000 market price of the preferred shares.

This announcement appears as a matter of record only

August 1993

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Crédit à l'Industrie - Krediet aan de Nijverheid

The Sakura Bank, Limited

Managers

Baden-Württembergische Bank AG

Banque Bruxelles Lambert France

Berliner Bank Aktiengesellschaft

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N.V. De Indonesische Overzeese Bank (INDOVER BANK)

CoreStates Philadelphia National Bank

SBN Bank/Sparekassen Noordrijland A/S

The First National Bank of Boston

Participants

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Notice is hereby given that the rate of interest for the six month period 15 September 1993 to 15 March 1994 has been fixed at 3.825 per cent. The amount payable per U.S. \$100,000 Note on 15 March 1994 will be U.S. \$77.29 against Coupon No. 15. The amount payable per U.S. \$100,000 Note will be U.S. \$1,772.29 against Coupon No. 15.

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Floating Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 10th December, 1993 has been fixed at 5.0675% per annum. The interest accruing for each three month period will be £51.77 per £100,000 Bearer Note, and £1,517.71 per £100,000 Bearer Note, on 10th December, 1993 against presentation of Coupon No. 9.

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September 1993

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INTERNATIONAL COMPANIES AND FINANCE

Sharp increase in foreign investment by US funds

By James Bittz, Economics Staff

US FUND managers indulged in a "minor tidal wave" of international investment in the first half of this year, compounding the process by which national barriers are breaking down in the world's financial markets, according to a leading analyst of institutional investment.

A report issued by InterSec Research Corporation, a US-based consultancy which specialises in monitoring asset allocation by fund managers, claims that there has been a surge in the purchase of overseas bonds and equities by institutions such as pension funds.

InterSec reports that the total value of US tax-exempt assets with international and global mandates rose by nearly \$30bn in the first half of 1993, from \$145bn to almost \$200bn.

This investment is a sharp increase on US fund managers' investments overseas in 1992, which saw an increase over the whole year of only \$30bn.

The report suggests that some of the increase may have been due to the strength of overseas equity and bond markets. But although this may have been responsible for a significant proportion of the investment, InterSec says that net cash flows (new money less withdrawals) still amounted to \$18bn in the first half.

"This is an unprecedented mid-year number," the report says. "1992's net flows for the entire year were an all-time high of \$22bn."

US fund managers have traditionally been more conservative than their European and Japanese counterparts when considering whether to make investments overseas.

About 8 per cent of Japanese pension fund assets are invested outside Japan, while 26 per cent of UK assets are invested in non-UK markets.

However, analysts anticipate that interest in non-domestic investments will grow faster in the US than in other countries.

The report claims that there were signs in the first six months of this year of a larger proportion of US fund managers' money being invested in equities than had been the case in 1992.

Of the net new money allocated to active international and global mandates in the first six months of this year, only 18 per cent went into fixed-income mandates. At the end of 1992, the market share of fixed-income investments was 23 per cent, while equities absorbed the remaining 77 per cent.

The general increase in international asset allocation has strong implications for currency market dealing. Banks dealing in foreign exchange find they are making increasingly large returns by managing the exposure of internationally-held assets to exchange rate movements.

*InterSec Research Corporation, 66 Gatehouse Road, Stamford, Connecticut 06902

Citibank sees revival in consumer banking

By Richard Waters in New York

CONSUMER banking profits at Citibank, the US banking group, will be "substantially higher" this year than last, due mainly to falling levels of bad debts in the US and cost-cutting, Mr Tel-Yuan Chia, head of consumer banking, said yesterday.

He added, though, that recession in Europe and the slow economic recovery in the US was holding back income growth.

"Revenue growth is still not very robust. It is anaemic. But the bottom line will be very good."

Citibank's consumer business generated record net income of \$941m last year after bad debts had dragged it down to \$530m in 1991.

The biggest improvement has come in the US market, largely as a result of declining credit losses on credit cards and other products, Mr Chia said.

Although he declined to disclose figures, Mr Chia said that the bank's write-off ratio was back to the "reasonable" level it had been at before 1991.

Increasing competition in the US credit card business is likely to reduce revenues in that sector by between \$300m and \$350m, as the bank spends more on marketing and reduces its fees in order to keep customers.

"We have lost market share. Our aim is now to defend our share. If that means lower margins, so be it," Mr Chia said.

Mr Chia's up-beat assessment came as Citibank announced plans to complete the remodelling of all 1,400 of its branches around the world over the next two years.

The aim of the programme is to increase the revenues earned by the branches - which currently generate 40 per cent of the consumer bank's revenues - rather than to reduce costs or improve productivity, said Mr Chia.

Most of the bank's branches in Asia and many in Europe have already been revamped, and the remodelling programme is now being accelerated in the US.

Biotechnology back to rude health

Survey paints rosy picture of the US industry, writes Clive Cookson

THE biotechnology industry is "surprisingly healthy" after a difficult year, according to a comprehensive survey of almost 1,300 US biotech companies.

The annual survey by Ernst & Young, the US consultancy, shows total revenues up 20 per cent to \$10bn for the year to June 30 1993, compared with \$8.3bn in the previous 12 months. Product sales amounted to \$7bn (up from \$6bn), and the remaining \$3bn came from licensing and research fees.

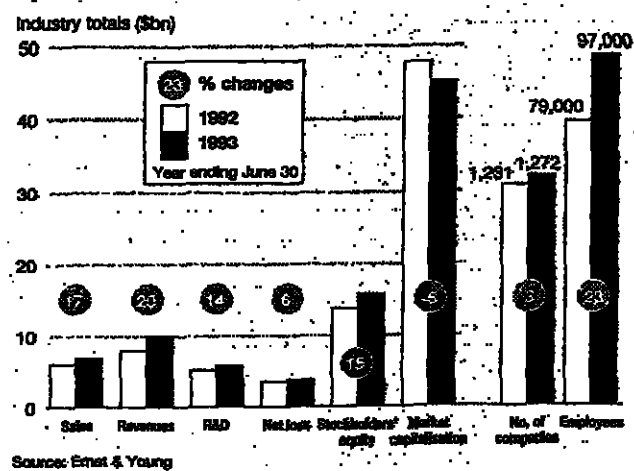
The total market value of the biotech industry fluctuated wildly during the period. It declined by 30 per cent and then rallied to end at \$45bn, just 6 per cent down on the previous year's \$48bn.

But Wall Street treated the biotech sector rather better than the mainstream pharmaceutical industry, and its total capitalisation overtook that of Merck, the largest drug company, for the first time.

Seven new drugs produced by genetic engineering received approval from the Food and Drug Administration during the year, including Factor VIII for haemophilia and Betaseron for multiple sclerosis.

Twenty genetically engineered drugs are already on the US market. The two best

US biotech industry



Source: Ernst & Young

sellors both come from Amgen, the most successful biotech company so far. Neupogen and Eprex had sales of \$544m (up 134 per cent) and \$506m (up 24 per cent) respectively.

Behind them, Ernst & Young estimates that the industry has 270 drugs in clinical trials and 2,000 at earlier stages of development. "One hundred represent truly novel substances with no precedent in medical therapy," the report says.

Ernst & Young concedes that there may be as much biotechnology R&D going on within traditional pharmaceutical

of development, such as two treatments for septic shock (Centocor's Centoxin and Synergen's Antril).

The view of Ernst & Young is that investors operate a double standard: "For big pharmaceutical companies, clinical trial tribulations are business as normal. Yet the financial markets expect biotech's clinical trials to be linear and predictable."

Fears that the Clinton administration's healthcare reforms will do disproportionate damage to biotech have also damaged market sentiment.

As a result, the industry managed to raise only \$5.2bn in new funds, compared with \$8.5bn in the previous year. The sharp fall in new equity offerings on the stock market was partly balanced by a revival in private and venture capital funding.

Although the overall tone of the Ernst & Young report is upbeat, the authors do express concern about the "feverish" rate at which many biotech companies are burning cash. "The number of public companies with less than two years cash is alarming, while capital raising is less predictable than ever," they say. "More than ever, biotech CEOs are compelled to engineer creative financing methods."

Viacom stock falls on news of chief's deal

By Richard Waters

SHARES in Viacom, the cable television operator which is seeking to buy Paramount Communications, fell sharply yesterday as it emerged that chairman Mr Sumner Redstone had been a big buyer of his company's shares in recent months.

The slide pushed down the value of Viacom's bid, mainly for shares, to \$7.6bn from \$8.2bn at the time the deal was announced at the weekend, apparently increasing the chance that a rival bidder for Paramount may step in.

Viacom said that Mr Redstone's purchases "complied with all applicable laws and regulations". The purchases "had been fully disclosed to Paramount" and were "never intended to affect the price of Viacom stock", it added.

In New York, Viacom's B shares fell 3 1/2% to \$64 yesterday morning, while its A shares slid 3 1/2% to \$61. Paramount shares fell 3 1/2% to \$61 1/2.

American Airlines to cut 5,000 jobs

By Martin Dickson in New York

MR Robert Crandall, chairman of American Airlines, underscored continuing cost-cutting in the loss-making US airline industry yesterday when he announced that the company planned to eliminate 5,000 jobs by the end of 1994.

The job losses, to come through attrition, early retirement and lay-offs, include cuts of between 200 and 300 managers which the airline announced recently. American currently employs 97,000.

Mr Crandall also told an analysts' conference in New York that the company would be grounding 11 more DC-10 aircraft, in addition to 31 it recently grounded. Four would be in 1994 and the remainder in 1995-98. However, it did not expect this to involve any charges against earnings.

American's capacity, measured in available seat miles, would be down 4.5 per cent in 1994, compared with this year. Mr Crandall said American

would welcome an employee stake in the company.

This would presumably be in return for concessions by labour, following the lead set by troubled Northwest Airlines, where employees have agreed to make some \$88m in concessions in return for stock.

At United Airlines, labour leaders are considering a buy-out bid for the company which would also involve large cost concessions.

Mr Crandall said it would be "a good thing" if investors and employees in AMR - the parent of American Airlines - were one and the same. However, he added that the company had not been approached by any of its labour groups for a stake in the business.

On Monday, the carrier's pilots told analysts that structural problems, not labour costs, had caused the large losses suffered over the past two years. They said the airline should consider modifying the so-called "hub and spoke" route system which most of the US airline industry uses.

Canadian court may hold key to outcome of McCain brothers' feud

By Bernard Simon in Toronto

THE MCCAIN frozen foods empire urgently needs a new chief executive if it is not to lose the confidence of customers, suppliers and employees, says one of the two feuding brothers who head the family-owned Canadian company.

In an affidavit filed in a New Brunswick court, Mr Harrison McCain outlines an increasingly hostile relationship with his brother and co-chief executive Wallace, which has reached the point where the two are unable to agree on important business decisions.

The court is due to hear an application by Wallace next week seeking to overturn a decision by other family members to oust him as joint chief executive by September 30.

The 33 McCain family shareholders have resorted to litigation after failing to resolve differences over top-management succession, and over various offers and counter-offers for each other's shares in the C\$3bn-a-year business.

Wallace's branch of the family owns about one-third of the shares of McCain Foods. The remainder is split between Harrison's family and the children of two dead brothers.

Harrison alleges in his affidavit that Wallace's unilateral decision three years ago to appoint his son Michael as head of McCain Foods' US subsidiary.

Wallace, aged 63, alleged in an earlier affidavit that Harrison, who is two years older, has sought to speed up the

search for a new chief executive since suffering a heart attack early last year. Wallace favours maintaining the present arrangement of joint chief executives until a group of outside directors can identify a suitable successor.

Harrison responds that "it seems absolutely incredible to me that Wallace thinks that he and I could function at all as co-CEOs while we are fighting each other in the courtroom".

Harrison also dismisses a proposal by Wallace to split McCain Foods into two roughly equal parts, with one covering the Americas and the Pacific Rim, the other the UK and European businesses. "To divide the operating company in any way would put both parts at risk in every market," he says.

Argentine phone group outlines expansion plans

TELEFONICA de Argentina, the Argentine telecoms group, expects capital expenditures to reach about \$1bn in the year to September, up from an average annual projection of about \$700m, a company official told a conference yesterday. Reuter reports from New York.

Mr Eduardo Arrotea Molina, director of investor relations and risk management, also said the company expected capital expenditures of about \$800m to \$900m in fiscal 1994.

Telefonica de Argentina, which provides telecommunications services to the southern half of Argentina, also plans to expand its network by more than 70 per cent by 1997 to 20 lines per 100 inhabitants, compared with 13.4 lines per 100 inhabitants as of June 1993.

Wells Fargo & Company
US\$150,000,000
Floating rate subordinated notes due 1994

In accordance with the provisions of the notes, notice is hereby given that for the interest period 15 September 1993 to 15 December 1993 the notes will carry an interest rate of 6.25% per annum. Interest payable on 15 December 1993 will amount to US\$132.71 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

BANQUE PARIBAS
US\$200,000,000
Undated floating rate securities

In accordance with the provisions of the securities, notice is hereby given that for the three month interest period from 15 September 1993 to 15 December 1993 the securities will carry an interest rate of 3.50% per annum. Interest due on 15 December 1993 will amount to US\$8.85 per US\$100,000 security.

Agent: Morgan Guaranty Trust Company
JPMorgan

BANQUE PARIBAS
US\$400,000,000
Undated subordinated floating rate securities

In accordance with the provisions of the securities, notice is hereby given that for the interest period from 15 September 1993 to 15 December 1993 the securities will carry an interest rate of 3.125% per annum. Interest payable value 15 December 1993 per US\$1,000 security will amount to US\$8.37 and per US\$10,000 security will amount to US\$83.73.

Agent: Morgan Guaranty Trust Company
JPMorgan

IRELAND
US\$500,000,000
Floating rate notes due September 1998

In accordance with the provisions of the notes, notice is hereby given that for the six month interest period from 15 September 1993 to 15 March 1994 the notes will carry an interest rate of 3.21% per annum. Interest payable on 15 March 1994 will amount to US\$161.39 per US\$10,000 note and US\$1,613.94 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

U.S. \$400,000,000
Hydro-Quebec
Undated
Floating Rate Notes, Series GL
Unconditionally guaranteed as to payment of principal and interest by
Province de Québec

Interest Rate 3.4375% per annum
Interest Period 15th September 1993 to 15th March 1994

Interest Amount per U.S. \$10,000 Note due 15th March 1994 U.S. \$172.83

Credit Suisse First Boston Limited
Agent

Temple Court Mortgages (No. 2) PLC
£150,000,000
Multi-Class Mortgage Backed Floating Rate Notes 2031
Class A1 £75,000,000 Class A2 £75,000,000

The rate of interest for the period 13th September, 1993 to 13th December, 1993 has been fixed as follows:
Class A1 is 6.4875% per cent. per annum payable at £161.74 per coupon.
Coupon No. 11 is payable on 13th December, 1993.
Class A2 aggregate principal amount of Notes outstanding as at 13th September, 1993: £71,120,000.

S.G. Warburg & Co. Ltd.
Agent Bank

US\$100,000,000
Subordinated Collateral Floating Rate Depository Receipts due 2003 issued by
The Law Debenture Trust Corporation plc evidencing entitlement to payment of principal and interest on subordinated deposits with
BANCA NAPOLI S.p.A.
Hong Kong Branch

Notice is hereby given that the receipts will bear interest at 6.125% per annum from 15 September 1993 to 15 March 1994. Interest payable on 15 March 1994 will amount to US\$30.80 per US\$100,000 receipt.
US\$307.95 per US\$10,000 and US\$3,079.51 per US\$100,000 receipt.

Agent: Morgan Guaranty Trust Company
JPMorgan

City of Stockholm
US\$325,000,000
Floating rate notes due 1999

Notice is hereby given that the notes will bear interest at 3.125% per annum from 15 September 1993 to 15 December 1993. Interest payable on 15 December 1993 will amount to US\$7.90 per US\$10,000 note and US\$79.03 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

U.S. \$75,000,000
Christiania Bank og Kreditkasse
Floating Rate Subordinated Notes Due 1994

Interest Rate 5 1/4% per annum
Interest Period 15th September 1993 to 15th March 1994

Interest Amount per U.S. \$10,000 Note due 15th March 1994 U.S. \$263.96

Credit Suisse First Boston Limited
Agent

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Interest Rate 5 1/4% per annum
Interest Period 15th September 1993 to 15th December 1993

Interest Amount per U.S. \$50,000 Note due 15th December 1993 U.S. \$663.54

Credit Suisse First Boston Limited
Agent

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In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from September 15, 1993 to December 15, 1993 the Notes will carry an interest rate of 3.9375% per annum. The amount payable on December 15, 1993 will be U.S. \$9.95 per Note in denominations of U.S. \$1,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
CHASE
September 15, 1993

U.S. \$500,000,000
CITICORP
Subordinated Bank Adjustable Note Capital Securities BANCS
Notice is hereby given that the Rate of Interest has been fixed at 3.4375% and that the interest payable on the relevant Interest Payment Date December 15, 1993 against Coupon No. 28 in respect of US\$50,000 nominal of the Notes will be US\$434.46.
September 15, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank
CITIBANK

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NACIONAL FINANCIERA, S.N.C.
Notice is hereby given that the Rate of Interest has been fixed at 5.6875% and that the interest payable on the relevant Interest Payment Date December 15, 1993 against Coupon No. 4 in respect of US\$10,000 originally issued face amount of the notes will be US\$114.27.
September 15, 1993
By: Citibank, N.A. (Issuer Services), Agent Bank
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U.S. \$250,000,000
Floating Rate Subordinated Notes Due 2001

Notice is hereby given that the Rate of Interest has been fixed at 3.25% and that the interest payable on the relevant Interest Payment Date March 15, 1994, against Coupon No. 15 in respect of US\$10,000 nominal of the Notes will be US\$143.40 and in respect of US\$250,000 nominal of the Notes will be US\$4,085.00.
September 15, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank
CITIBANK

INTERNATIONAL COMPANIES AND FINANCE

Politics of money dominates Kuala Lumpur

Kieran Cooke on accusations that business deals are used to further Malay interests

Earlier this year, the Kuala Lumpur stock market was set ablaze by a sudden surge in the shares of Union Paper Holdings, a small Malaysian company producing toilet paper and joss sticks.

This stratospheric rise to M\$23 from M\$1.73 was triggered by rumours that Union was about to be taken over by a co-operative linked to the United Malays National Organisation (UMNO), the political party which has dominated Malaysia's government since independence in 1957.

But the takeover soon proved to be an illusion, and Union's shares dropped to earth. They were subsequently suspended, and many shareholders lost heavily. The Union fiasco highlights the influence of politics - and in particular of UMNO - on Malaysia's corporate community.

"Union Paper is only one example of the way many investors here make decisions solely on political grounds," said one Kuala Lumpur broker. "Company fundamentals are often ignored. The trouble is that the local speculators are often proved right: political connections, mainly to leading figures in UMNO, are a vital element in a large number of business deals."

At around US\$105bn, the capitalisation of the Malaysian stock market is bigger than Taiwan, South Korea and Singapore. Analysts point out that funds from abroad, encouraged by Malaysia's economic growth, have been flooding into Malaysian stocks recently. Yet often outsiders are ignorant of local political considerations.

UMNO's corporate power

and influence grew in tandem with a government programme called the New Economic Policy (NEP), which was inaugurated in the early 1970s.

At that time the Chinese, who make up about 35 per cent of the population, controlled most economic activities in the country.

The NEP was designed to give "bumiputras", or indigenous Malays, who account for about 50 per cent of the population, a greater share in the country's wealth.

They were favoured in government jobs, in education and in business.

UMNO, the party of the Malays which has traditionally controlled all senior government posts, used its political clout to further Malay business interests. In the process, UMNO itself became directly involved in the corporate sector.

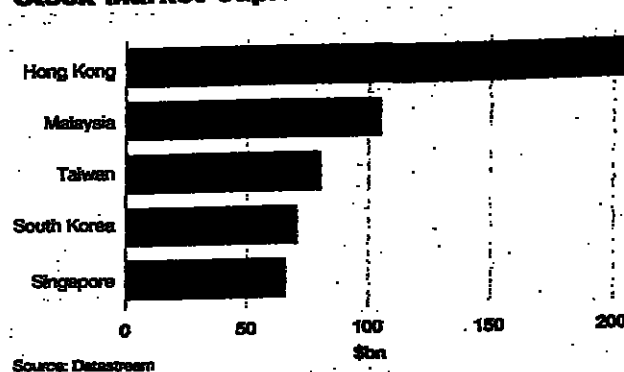
By the mid-1980s, UMNO controlled a complex web of businesses which stretched into most areas of the economy. Through the Fleet Group, UMNO's investment holding company, the party owned the New Straits Times Group, the country's leading newspaper and publishing group.

In 1988, United Engineers Malaysia (UEM), another UMNO company, was awarded what was then Malaysia's biggest infrastructure project - the M\$3.4bn (\$1.94bn) contract for the privatisation of a highway running the length of peninsular Malaysia.

More recently, UEM won a multi-million dollar contract to build a new link between Malaysia and Singapore.

Party assets were transferred to trustees following a split within UMNO in 1988. Since

Stock Market Capitalisation



Source: Datastream

that time, the party's extensive business shareholdings have been dispersed among various groups and business people, most of them seen to be closely connected with the UMNO.

Now a stage has been reached when a business elite, made up of bumiputras and their Chinese partners, and with close connections to leading politicians, is able to dominate a large segment of corporate life. It can also seriously influence stock market behaviour.

The topic of "money politics" has hit the headlines in Malaysia recently as different factions within UMNO line up for battle.

Mr Anwar Ibrahim, the present finance minister, is challenging the position of Mr Ghafar Babar, the UMNO number two, in party elections due in early November.

Whoever wins the race is seen as the likely successor to Dr Mahathir as UMNO president, and next in line to be prime minister.

Opponents accuse Mr Ghafar of plundering state bodies for campaign funds, while Mr

the connections are still there.

"UMNO patronage has led to the formation of very powerful business conglomerates," says Mr Gomez.

"Now a stage has been reached when a business elite, made up of bumiputras and their Chinese partners, and with close connections to leading politicians, is able to dominate a large segment of corporate life. It can also seriously influence stock market behaviour."

Managers of large foreign funds have begun asking questions about their investments in Malaysia's privatised entities, particularly Tenaga Nasional, the electricity utility, and Telekom, the telecommunications service.

They say there is evidence of growing political interference in the operations of these companies, which undermines the privatisation process and could jeopardise long-term prospects.

"There are some noteworthy companies here who get on with business," said one Kuala Lumpur broker. "But for others, political connections are all-important. The system is so entrenched - it's part of the business culture."

Anwar is said to have raised a substantial election war chest from the corporate sector.

Mr Anwar is generally believed to have assisted the recent rise to prominence of Malaysian Resources Corp. MRCC, with little experience in the power sector, has become the lead partner in a project to build, own and operate a M\$3.5bn power plant.

The company also played a key role in a M\$800m management buyout of the New Straits Times group and the country's only independent TV station from Renong earlier this year. Mr Anwar denies he was suspicious of the Renong management's political sympathies. But it is clear the media group, under its new management, has swung solidly behind the finance minister.

Some analysts have become a little uneasy about developments. They say a substantial amount of corporate engineering has been going on, with little apparent benefit to minority shareholders.

Managers of large foreign funds have begun asking questions about their investments in Malaysia's privatised entities, particularly Tenaga Nasional, the electricity utility, and Telekom, the telecommunications service.

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Soft shoe start at Lithuanian stock exchange

Matthew Kaminski finds a footwear group making the running on day one

CLINKING champagne glasses, peans to capitalism and a row of women in folk costume were the main feature at yesterday's ribbon cutting ceremony at the Lithuanian Stock Exchange in Vilnius. Trading volume came a poor second.

Modelled on the French system, the first national stock exchange in the former Soviet Union began with 39 registered brokers and 19 listed securities, including three offering preferred and ordinary shares.

The opening day was, by any standard, quiet with five securities traded for a total turnover of just 1,680 Lit (€408). Silva, a footwear and haberdashery concern, was the hot stock with 288 shares traded at Lit1.05 each.

The Paris bourse, which helped set up the exchange under a FFfr5m (\$870,000) grant from the French government, has taken a cautious tack.

Securities can rise or fall by no more

than 10 per cent between the weekly Tuesday sessions. All transactions will be done by cash trade only on a book-entry basis, with a clearing settlement delay of four days.

The Lithuanian exchange, like the one in the Czech Republic, grew directly out of the mass privatisation programme which has sold 1,686 state-owned enterprises since 1991. Only 16 companies were registered in time for the start of trading, but all companies privatised by public offer eventually will be listed.

Trading volume, in the meantime, is going to stay tiny. Mr Stephane Remus, project manager from the Paris bourse, said the market was intentionally simplified to attract small investors. "If

someone expects a million dollar turnover the first year," he said, "they're foolish."

Instead, a weak banking system, shortage of capital and insider trading are possible problem areas. Crime has been a prominent feature of capitalism in the former Soviet Union.

But Remus views bankruptcy, not yet seen in Lithuania despite the existence of a year-old bankruptcy law, as the biggest threat to engendering public trust in the exchange.

Vilnius hopes to emulate the growth at other east European exchanges. In Warsaw, turnover is now running at \$250m per week. Budapest and Prague manage weekly volumes of \$5m and \$3m respectively.

Next in line is the Kiev exchange, due to open around the New Year.

The Ukrainian government has set up a central depository but has not yet formalised the legal framework needed for trading securities, according to Mr Paul-François Dubroucq, director for international affairs and development at the Paris bourse.

Lithuania has been an "exceptional success", Mr Dubroucq said, because legal and economic reform has been synchronised.

At the freshly renovated exchange headquarters, only six of the 39 registered brokers have offices above the main floor.

A lucky one, Mr Vaidas Savukynas, a 24-year-old who seven months ago founded his one-man brokerage, reported a good first day: four deals, worth Lit528 (\$132). "Just the beginning," he said.

NEWS IN BRIEF

NATIONAL Commercial Bank, the Saudi bank, is to raise paid-up capital to more than SR50m (\$13.8m) from SR30.2m, after reports from Manama.

The capital increase plan was completed last year but will be announced when privately-owned NCB's results are published "in the next few weeks," according to Saudi press reports.

NCB, which has not reported audited results since 1989 and which ran into trouble over the collapse of the Bank of Credit and Commerce International, has vigorously denied foreign media reports that its business is threatened.

The press reports did not indicate how the additional capital would be raised. But the bankers said NCB did not plan to go public to raise the capital in Saudi Arabia's stock market. At the end of 1989, NCB had assets of put at the end of 1988 at SR66.6bn.

Sheikh Mohammad, chief executive officer, said last month the bank would soon issue audited 1992 financial results which "will demonstrate the solid foundation and high standing enjoyed by the National Commercial Bank".

■ **AMPOLEX**, the Australian oil and gas exploration company, is to acquire two subsidiaries from Phillips Petroleum,

for an undisclosed price, writes Nikki Tait from Sydney.

The companies being acquired - Phillips Petroleum International Australia - hold a combined 25 per cent interest in the Harriet field, plus associated exploration acreage in the Carnarvon Basin.

The fields have a gross production rate of about 10,500 barrels of oil and 27m cubic ft of natural gas per day. Ampolex said that the deal expanded

its position in the Carnarvon Basin "which has become a core area for the company".

■ **TEN GROUP**, the Australian commercial television network, made a net profit of A\$17.3m (US\$11.3m) for the 39 weeks ended June, before A\$6.0m interest paid on subordinated debentures, Reuter reports from Sydney. The result compares with a profit of A\$15.2m in the 50 weeks ended September, 1992.

NOTICE to the holders (the "Bondholders") of the

ECU 60,000,000 9% Guaranteed Retractable Bonds 1985-1992/1997

ECU 20,000,000 11% Guaranteed Retractable Bonds 1984-1997

FF 400,000,000 8% Guaranteed Notes due 1993

U.S. \$100,000,000 Guaranteed Floating Rate Notes due 1993

DM 100,000,000 7% Deutsche Mark Bonds of 1985-1995

Swiss Francs 150,000,000 5% Bonds 1988-1994

Swiss Francs 150,000,000 6% Bonds 1985-1995

Swiss Francs 150,000,000 5% Bonds 1985-1995

Swiss Francs 150,000,000 6% Bonds 1988-1998

Swiss Francs 150,000,000 5% Bonds 1989-1999

of

HERON INTERNATIONAL FINANCE B.V. (the "Bonds")

Schemes of arrangement in relation to Heron International N.V., Heron International Finance B.V., Heron International Holdings Limited and Heron International PLC (the "Schemes") were approved by the necessary majorities at creditors' meetings and court hearings held on 28th June, 30th June and 5th July, 1993. The Schemes have been ratified or sanctioned by courts in England, the Netherlands and the Netherlands Antilles. The Schemes are now unconditional and simply remain to be implemented. The Schemes will be implemented on 24th September, 1993 (the "Implementation Date").

Under the Schemes, claims in respect of the Bonds are to be released in exchange for entitlements to Senior Bonds, Junior Bonds and New Common Shares. On the Implementation Date temporary global securities representing the aggregate principal amount of Senior Bonds and Junior Bonds issued by Heron International Finance B.V. and the aggregate number of New Common Shares issued by Heron International N.V. to which the Bondholders are entitled will be deposited with a common depository for Euroclear and CedeL. The temporary global securities will each be exchangeable, on the first date reasonably practicable after the Implementation Date (the "Exchange Date"), for definitive Senior Bonds, Junior Bonds and New Common Shares respectively in bearer and/or registered form.

The Bonds were de-listed from the Luxembourg Stock Exchange on 13th September, 1993 and will be de-listed from the Frankfurt, Zurich, Basle and Geneva Stock Exchanges at the close of business on 16th September, 1993. The last date for normal settlement of trades in the Bonds will be 20th September, 1993.

The Senior Bonds, Junior Bonds and New Common Shares have been accepted for clearance in bearer form through CedeL and Euroclear. A listing of the Senior Bonds and the Junior Bonds has been applied for on the Luxembourg Stock Exchange and the listing is expected to be effected on 27th September, 1993. Details of the new paying agents for the New Securities, the Common Code reference numbers and the International Securities Identification Numbers (ISIN) for the New Securities are as follows:

	Common Code	ISIN
Senior Bonds	4344448	XS0043444487
Junior Bonds	4344464	XS0043444644
New Common Shares	4305808	ANN4035P1004

New Principal Paying Agent

The Chase Manhattan Bank, N.A.

Woolgate House

Coleman Street

London EC2P 2HD

England

New Paying Agents

Chase Manhattan Bank Luxembourg S.A.

5 Rue Placis

L-2338 Luxembourg-Grund

Luxembourg

Banque Bruxelles Lambert S.A.

34 Avenue Marx

B-1050 Bruxelles

Belgium

Chase Manhattan Bank (Switzerland)

63 rue du Rhône

1204 Geneva

Switzerland

Deutsche Bank AG

Taunusanlage 12

60325 Frankfurt am Main

Germany

The purpose of this Notice is to describe what action, if any, you should take in order to receive your Senior Bonds, Junior Bonds and New Common Shares. This will vary depending on how you hold your Bonds as follows:

1. If your Bonds are held on your behalf by a bank or other financial institution (a "custodian") or through CedeL or Euroclear, you need not take any action. The custodian, CedeL or Euroclear will debit your holding of Bonds and credit your securities account with your entitlement to Senior Bonds, Junior Bonds and New Common Shares and notify you of your new holding.

2. If you have physical custody of your Bonds, your entitlement to New Securities will initially be held on your behalf by custodians. If you wish to obtain definitive securities you should surrender your Bonds and Relevant Coupons at the office of any Existing Paying Agent for your issue. Definitive securities will be available, on or after the Exchange Date, through the offices of any of the Existing Paying Agents on, if you so request, may be delivered in accordance with your instructions, but at your risk and (except where sent by post) at your expense. Definitive securities will be available in bearer and/or registered form. You will need to specify to the relevant Existing Paying Agent whether you wish to receive definitive securities in bearer and/or registered form and, if you specify the latter, you will need to specify the name in which you wish the definitive securities in registered form to be registered.

3. Information for Custodians: Custodians whose Bonds are held through Euroclear or CedeL, Deutsche Kassenregister AG or SEGIA should receive information as to what action, if any, they should take through the relevant clearing system. Custodians of the Swiss Issues who hold Bonds within their own vaults should have received information as to what action, if any, they should take from either SEGIA or one of the Principal Paying Agents referred to below. In case of difficulty a custodian should contact Euroclear, CedeL or one of the Principal Paying Agents referred to below as appropriate.

Save where otherwise defined, expressions used in this Notice are as defined in the Scheme Document. If you do not already have a copy of the Scheme Document, you may obtain one from the relevant Principal Paying Agent at the address set out below:

ECU Issues
Banque Indosuez Luxembourg
39 Allée Scheffer
L-2520 Luxembourg
Attention: Coupon Department

French Franc Issue
Crédit Lyonnais Luxembourg S.A.
26A Boulevard Royal
L-2449 Luxembourg
Attention: Affaires Financières

Swiss Franc Issues
Credit Suisse
Paradeplatz 8
CH-8001 Zurich
or
Switzerland
Attention: Department XWV22

US \$ Issue
Royal Bank of Canada Europe Limited
71 Queen Victoria Street
London EC4V 4DE
England

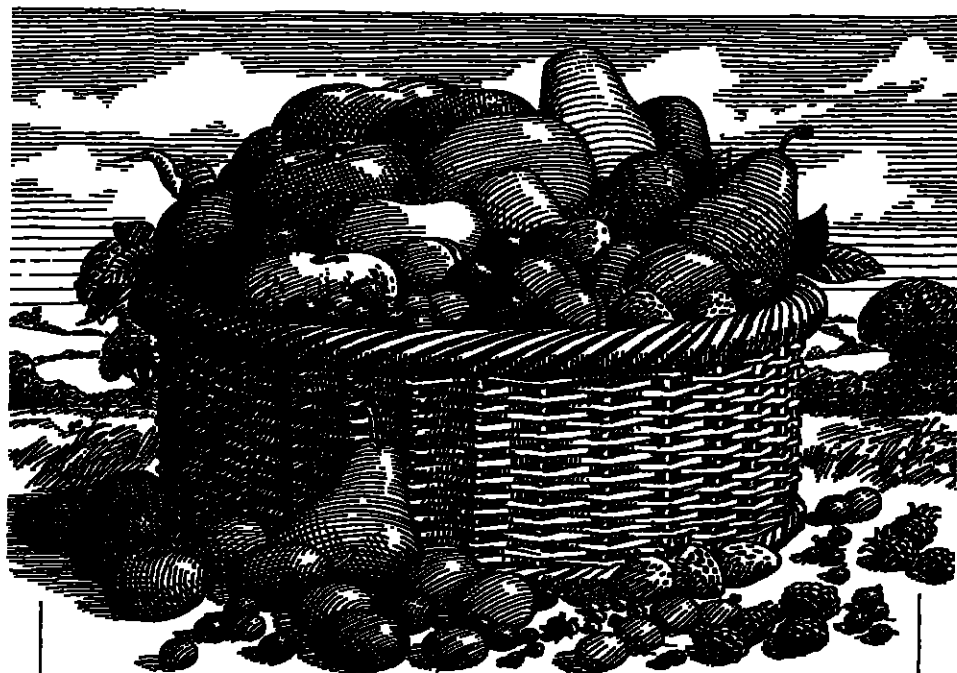
Attention: Bond Agency Department
Deutsche Bank AG
Taunusanlage 12
60325 Frankfurt am Main
Germany

Attention: Capital Markets
S.G. Warburg Securities S.A.
118 rue du Rhône
CH-1211 Geneva 3
Switzerland
Attention: Back Office Primary

If you are not aware of the identity of the Existing Paying Agents for your issue, please contact the relevant Principal Paying Agent at the above-mentioned address.

15th September, 1993

HERON INTERNATIONAL FINANCE B.V.



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CHARGE

Notice is hereby given that for the six months interest period from September 15, 1993 to March 15, 1994 (181 days) the Note Rate has been determined at 5% per annum. The interest payable on the relevant interest payment date, March 15, 1994 will be U.S. \$251.39 per U.S. \$10,000 nominal amount.

By: The Chase Manhattan Bank, N.A., London, Agent Bank

September 15, 1993

CHARGE

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS (EDRS) IN MAKITA CORPORATION

NOTICE IS HEREBY GIVEN that a cash dividend will be paid to the shareholders of record date September 30, 1993. Furthermore, it has been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from September 27, 1993. Shareholders to approval of the dividend, a further notice will be published, after receipt of the dividend by the Depository, stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment.

Coupon No 30 will be used for collection of this dividend.

CITIBANK, N.A., London, September 15, 1993 Depositary

LKB Baden-Württemberg Finance N.V.

(Amsterdam, The Netherlands)

DM 1,500,000,000

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Schweizerische Bankgesellschaft

(Deutschland) AG

Westdeutsche Landesbank

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Dresdner Bank

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Merrill Lynch Bank AG

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(Deutschland) AG

September 15, 1993

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COMPANY NEWS: UK

Refocusing and cost cutting help put constructor back on track

Taylor Woodrow in the black

By Paul Taylor

TAYLOR WOODROW, the restructured construction group, returned to the black in the first half, posting pre-tax profits of £10.1m against a restated £16.9m loss last time.

Turnover in the six months to June 30 increased to £622.6m (£594.4m) despite a reduction in contracting turnover which slipped to £418.5m, against £438.1m in the 1992 first half. Earnings per share of 1.3p compared with losses of 3.7p in the comparable period and the group, which cut the interim dividend to 0.5p last year, is maintaining it at the reduced rate.

Commenting on the turnaround, Mr Colin Parsons, chairman, said the structural changes - including refocusing

the group on its four core businesses and cutting back on overheads - have put Taylor Woodrow "back on the track towards the level of performance which our shareholders expect".

Overall the group reported operating profits, excluding a £5.3m gain resulting from the implementation of the FR33 accounting rules, of £16.4m compared with a £10.7m loss a year earlier.

Despite the reduction in turnover in the core contracting business, losses were reduced from £10.4m to £3.4m in the latest period. Mr Parsons expressed confidence that although conditions remain highly competitive, the contracting losses should be eliminated this year.

The group's property busi-

ness performed "reasonably" in the first half, although net rental income fell by about 9 per cent following disposals. Overall the division posted a £6.5m (£4.2m) profit on turnover of £57m (£43m).

In the housing division profits of £3.9m compared with a £16.4m loss last time and came on turnover up at £31.2m (£25.6m). Mr Parsons said the group's worldwide housing operations, including those in Australia, Florida and Canada, continued to make progress with sales of houses and plots increasing by 34 per cent to 1,095.

In the UK house sales grew by 35 per cent to just over 300, but the average price fell by 3 per cent to £71,000 and the land bank fell slightly to 2,200 plots. The group's net borrowings

fell by £87.3m from the year-end to £141.3m at June 30, equivalent to gearing of 27 per cent against 44 per cent at the end of December.

COMMENT

Taylor Woodrow's management team deserves credit for strengthening the balance sheet and improving performance despite the continuing dire problems of the construction sector. The turnaround has been achieved mainly by selling off non-core operations and reducing overheads by some £20m. However, only about £18m of pre-tax profits are expected this year, equivalent to earnings per share of about 4.4p. At current prices the shares are trading on a prospective p/e of 27, which looks unjustified.

Steel Burrill incurs £4m loss

By Richard Lapper

PROVISIONS against possible settlements in a number of legal disputes, heavy reorganisation costs and slow growth in its new business yesterday plunged Steel Burrill Jones, the insurance broker, into the red.

Pre-tax losses of £3.92m for the six months to end-June surprised the market and explain a cut in the interim dividend to 3p (4.25p).

The deficit, which compared with previous profits of £6.28m, were the first ever recorded by SBJ which has grown rapidly since its launch on the market in the mid-1980s and are prompting a round of job cuts.

Mr George Boden, chief executive, who described the trading performance as "very poor", said at least 70 of the group's 860 staff would lose their job, 45 of them immediately.

Underlying trading profit, including investment income was £3.52m. But provisions of £4.39m were made for the expense of reorganising back office and other operations and £3.05m for the cost of possible legal settlements.

Mr Boden said half of the legal provision related to one particular dispute. The group has not made any extra provision for any costs it might incur as a result of any out-of-court settlement to the litigation between Names and agents at the Lloyd's market.

After tax losses per share amounted to 7.25p (earnings 8.77p).

Slow progress in the group's core marine markets, especially in the marine reinsurance and offshore energy sectors depressed turnover.

Broking revenues fell to £23.37m, 4.8 per cent below the level achieved in 1992. After stripping out the impact of exchange rate movements and the impact of acquired businesses which did not operate for the first six months, underlying growth was down by 8 per cent.

Competition in the energy market, especially from the US on both price and policy workings, was described as "continuing and persistent".

Emess static at £1m

Pre-tax profits at Emess, the lighting and electrical accessories group, remained static at £1.1m for the half year ended June 30. However, the comparative figure included a £1.3m contribution from discontinued operations.

Turnover of continuing operations edged ahead from £59.1m to £59.5m for trading profits of £1.1m (£1.7m). Interest costs were £1m (£1.9m).

Fully diluted earnings emerged at 0.5p (0.6p).

National Express blames recession for 45% decline

By Tim Burt

NATIONAL EXPRESS, the coach service operator, floated late last year, yesterday blamed a 45 per cent fall in interim pre-tax profits on the continuing effects of the recession on domestic services and the costs of a redundancy programme designed to cut the workforce by 10 per cent.

Reporting pre-tax profits of £585,000 on turnover of £57.4m in the 26 weeks to July 10, the company said the performance would have been healthier had it not been for £427,000 in exceptional redundancy costs in its UK express coach arm.

The figures compare with pre-tax profits of £1.06m on turnover of £66.9m in the 26 weeks to July 11, 1992. A maiden interim dividend of 2.5p is declared, payable from

earnings per share up from 0.2p to 1.3p.

Mr Ray McEnhill, chief executive, said the decline was due to the poor performance of the express coach division, which reported an operating loss of £281,000 compared with a deficit of £211,000 in 1992. The division "has not yet seen any evidence of sustained economic recovery", he said.

The group has been strengthened by the acquisition of three new businesses for a total of £109m: Scottish Citylink, the scheduled coach operator; Eurolines (Netherlands), part of the inter-European network; and East Midlands International Airport.

The airport's trading results have not been included as the purchase was completed after the end of the results period. The group's other divisions,

meanwhile, moved ahead. Operating profits at Eurolines (UK) were £482,000 (£411,000); Airport Coach Services was up to £241,000 (£219,000).

National Express has shelved plans to upgrade its core coach business with refurbished stations and a new reservation system while it assimilates its new acquisitions.

The company has, however, been careful not to abandon its investment plans. Designed to woo passengers back from British Rail, and has only postponed them until the coach market shows signs of generating the passenger volume to make the outlay worthwhile.

In the meantime, the group says its substantial spare cash which it intends to use to develop its new businesses rather than embark on further acquisitions.

BT's £400m Spanish venture

By Andrew Adonis

BRITISH Telecommunications is forming a £400m joint venture company with Grupo Santander, Spain's fourth largest financial services group and parent of Banco Santander, to sell data communications services in Spain.

The joint venture will own, manage and upgrade Megared, Grupo Santander's existing data communications network which covers 31 Spanish cities.

The move is a further push into Europe's liberalising telecommunications market.

The new company, expected to employ over 300 people when fully established, will offer a range of managed data communications services to Spanish companies and other large users. Megared, set up in 1989 to serve the banking group's extensive branch network, has been trying to expand by attracting third party users.

Mr Iain Vallance, BT chairman, said the venture brought together BT's international experience and Grupo Santander's knowledge of Spanish business and its extensive data communications network.

Trinity Intl turns in £9.44m and enfranchises shareholders

By Ian Hamilton Fazey, Northern Correspondent

TRINITY INTERNATIONAL, the fast-expanding UK regional newspaper publisher, is to enfranchise its ordinary shareholders.

This will end the voting structure which has made it immune from takeover since it floated as the Liverpool Daily Post & Echo in 1904.

Trinity coupled its announcement yesterday with news of a 27 per cent rise in interim pre-tax profits to £9.44m from £7.44m and an increase in interim dividend to 3p (2.7p).

The group is joining a band including Great Universal Stores and several other companies which have recently declared a change in their restrictive voting structures.

Mr Philip Graf, chief executive, said yesterday's announcement was meant to improve the attractiveness, marketability and value of Trinity's shares.

He did not accept Trinity was now vulnerable to predators.

"The best long-term defence against a takeover is sustained performance. We have a good

record and excellent relations with our shareholders," he said. Trinity's shares closed up 3p at 388p.

Trinity lost its main disgruntled shareholder earlier this year when Mr Conrad Black, the Canadian publisher of the Daily Telegraph, sold a 10 per cent stake he had bought in 1989 in the hope of building a long term relationship.

Trinity's directors, who control the 12 management shares that are the only ones with voting rights at present, saw him as a potential predator and are understood to have rebuffed Mr Black's overtures for a seat on the board and enfranchisement of Trinity's shares.

Mr Black failed to take up his rights in an oversubscribed rights issue last year and Goldman Sachs had no difficulty placing his shares with institutions.

Trinity's biggest shareholder now is Mercury Asset Management, which has 25 per cent. Other financial institutions own at least another 55 per cent.

The group, which has its headquarters in Chester, owns the daily newspapers in Liverpool and groups of weeklies and free sheets in Merseyside,

North Wales, western Canada and the US. Last year it divested from papermaking and packaging to concentrate on media.

It promptly bought Scottish and Universal Newspapers (SUN) from Lomrho, having withdrawn from a contested bid for Southern Newspapers on the English south coast.

This year, Trinity has made an agreed offer for the Huddersfield Examiner group of newspapers in West Yorkshire and is in exclusive negotiations to buy Argus Press, in south-east England.

Both deals are awaiting government clearance.

Under the enfranchising proposal, each non-voting stock unit will be converted into one share with full voting rights.

Each management share will be converted into 10 ordinary shares with no compensation for loss of voting power.

Trinity's turnover rose 30 per cent to £84.67m (£49.96m), reflecting the Scottish and Universal acquisition.

Earnings per ordinary stock unit were 9.2p (8.0p). Gearing was 18.3 per cent, although this is likely to double if the Argus and Huddersfield deals are finalised.

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Prices for securities quoted by the London Stock Exchange, as at the close of business on 12 September 1993. All prices are in pence, unless otherwise stated. Figures in italics are for securities which are not listed on the London Stock Exchange.

Security	Price	Change	High	Low
100 Year	100.00	0.00	100.00	100.00
10 Year	100.00	0.00	100.00	100.00
20 Year	100.00	0.00	100.00	100.00
30 Year	100.00	0.00	100.00	100.00
40 Year	100.00	0.00	100.00	100.00
50 Year	100.00	0.00	100.00	100.00
60 Year	100.00	0.00	100.00	100.00
70 Year	100.00	0.00	100.00	100.00
80 Year	100.00	0.00	100.00	100.00
90 Year	100.00	0.00	100.00	100.00
100 Year	100.00	0.00	100.00	100.00
110 Year	100.00	0.00	100.00	100.00
120 Year	100.00	0.00	100.00	100.00
130 Year	100.00	0.00	100.00	100.00
140 Year	100.00	0.00	100.00	100.00
150 Year	100.00	0.00	100.00	100.00
160 Year	100.00	0.00	100.00	100.00
170 Year	100.00	0.00	100.00	100.00
180 Year	100.00	0.00	100.00	100.00
190 Year	100.00	0.00	100.00	100.00
200 Year	100.00	0.00	100.00	100.00
210 Year	100.00	0.00	100.00	100.00
220 Year	100.00	0.00	100.00	100.00
230 Year	100.00	0.00	100.00	100.00
240 Year	100.00	0.00	100.00	100.00
250 Year	100.00	0.00	100.00	100.00
260 Year	100.00	0.00	100.00	100.00
270 Year	100.00	0.00	100.00	100.00
280 Year	100.00	0.00	100.00	100.00
290 Year	100.00	0.00	100.00	100.00
300 Year	100.00	0.00	100.00	100.00

United Friendly Group plc

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 1993

- Premium income up 17% to £163.6m.
- New life single premiums and new SERPS-related premiums up 81% to £27.2m while new annual premiums fell by 12% to £9.9m.
- General business premiums up by 29% to £53.5m.
- General business underwriting loss increased to £7.0m due to reserve strengthening and new business costs.
- Post-tax profits down from £7.5m to £5.7m.
- Interim dividend increased by 12%.

	Half Year 1993 £m	Half Year 1992 £m	Full Year 1992 £m
Premiums—Life	110.1	98.7	200.6
—General	53.5	41.4	88.1
Life business profits	5.6	3.9	11.2
General business underwriting loss	(7.0)	(1.7)	(1.9)
Other income and expenditure	7.5	7.3	14.1
Profit attributable to shareholders	5.7	7.5	18.9
Dividend per share	5.5p	4.9p	14.5p
Earnings per share	7.0p	9.1p	23.0p

The results for the half years ending 30 June 1992 and 30 June 1993 have been taken from the unaudited 1993 Interim Statement. The 1993 Interim Statement will be sent to all Shareholders on 21 September 1993. Copies may be obtained from the Secretary: United Friendly Group plc, 42 Southwark Bridge Road, London SE1 0HE. Telephone: 071-928 8544 Fax: 071-281 9077

COMPANY NEWS: UK

Sale helps Heywood Williams to £22.7m

By Catherine Milton

HEYWOOD WILLIAMS, the building materials group, reported half year pre-tax profits up from £5.1m to £22.7m, which included a £15m profit on the sale of most of its glass business to Pilkington.

Turnover fell to £170.3m (£190.4m) in the six months to June 30, including £34.3m from discontinued activities. This reflected the three month lull between the £95m sale of the glass distribution business in April and the maiden contribution of a US building products company acquired for £42m at the end of the half year.

Mr Ralph Hinchliffe, chairman, said the glass business had not been making any money. He added that the profit rise reflected cost cutting in its aluminium and plastics businesses.

"Our automotive business has benefited from the inclusion of windcreens in the MOT test from January 1, with the trade up 30 per cent overall. Our US interests equalled the record profits they achieved in 1992 in dollar terms."

He added: "Recovery in the UK is hesitant but the underlying trend is positive." The acquisition of LaSalle-Deitch, a US buildings material company, gave the company further access to growth markets in prefabricated houses and recreational vehicles, Mr Hinchliffe said. Mainland Europe was likely to remain difficult for a little time.

At the end of the period net cash was £19m, against net debt of £24.6m 12 months earlier. Interest income was £86,000 compared with charges of £1.6m last time. The board declared a main-

tained interim dividend of 4.5p from earnings per share of 23.7p (3.4p).

COMMENT

Management deserves credit for harsh cost cutting last year which has helped the company bear the seasonal losses of its old glass distribution business and improve underlying profits. The strategy of supplying higher margin components for specialist niche markets such as prefabricated houses and recreational vehicles looks good. But the cyclical nature of both markets calls for caution. Stripping out the exceptional profit, forecasts are for £20m pre-tax giving a multiple of about 20.5 this year, a 30 per cent premium to the market, thanks mainly to loss elimination and growth in windcreens. But the multiple falls to 15 in 1994, which looks reasonable for a recovery stock.

Goal net profits rise 18% to £2.8m

By Robert Corzine

GOAL Petroleum, the UK independent exploration and production company, reported an 18 per cent jump in net profits to £2.8m for the first half of the year despite a 13 per cent fall in production. Earnings per share also rose 18 per cent to 2.07p.

The decline in output was offset by favourable exchange rate movements which resulted in higher sterling prices for oil. Turnover to the end of June remained unchanged from the same period last year at £20.9m, according to Mr Roger Bexon, chairman.

He said the company would use its financial strength - net borrowings fell £2.5m to £16.2m to give a gearing ratio of 18 per cent - to expand reserves, either through successful exploration, acquisition or by boosting output of existing reserves, such as the Wyth Farm and Magnus fields in the UK.

Mr Bexon added that the changes made earlier this year to the UK's petroleum tax regime would "substantially increase" Goal's discretionary income and enhance its flexibility in making any acquisitions. "While the North Sea still offers many opportunities, we continually review possible investments in other areas," he said.

The company's average production rate was 10,000 barrels of oil equivalent a day during the first half of the year (11,500). The fall was due to planned maintenance shutdowns at the Buchan and Wyth Farm fields. There is again no interim dividend.

Clyde Petroleum £16.2m loss

By Robert Corzine

CLYDE PETROLEUM, the UK exploration and production company, yesterday reported a £16.2m loss in the six months to June 30 after writing off £21.6m due to failed exploration, mainly in Malaysia.

Dr Colin Phipps, chairman, said he was disappointed that the company's international exploration programme had "led to a high level of write-offs during the last two years".

The £16.2m net loss for the first half of this year compared to an £11.8m loss last time. The

loss per share was 4.6p (3.7p), but Dr Phipps predicted that Clyde would return to profit in 1994 and reinstate a dividend in October 1994.

Mr Malcolm Gourley, chief executive, said planned maintenance shutdowns at the Wyth Farm field and the Forties pipeline system in the UK led to a lower average daily output during the first half of 21,072 barrels of oil equivalent. Production had returned to normal levels and he predicted average output for the full year would be close to the 23,900 bpd achieved last year.

The drop in first half production caused turnover to decline to £39.2m (£43.7m). But the company benefitted from selling forward 73 per cent of its estimated 1993 output at \$18.67 per barrel, against recent prices of under \$16 a barrel.

Cash inflow of £25m was supplemented by the £34.2m received from the company's rights' issue last March. Gearing, currently at 100 per cent, is likely to be slightly higher by year-end, according to Mr Gourley. But he expects it to fall to 60 per cent by next year because of the cashflow expected

when the North Sea Gryphon field begins producing next month. Clyde has a 35 per cent stake in the field.

Mr David Basham, an analyst at Kleinwort Benson, said the size of the interim loss took the market "a little bit by surprise," and added that Clyde was "trying to tidy up its balance sheet before the Gryphon production began."

Mr Gourley said the company's exploration efforts would focus in future on the Netherlands, UK and Yemen. He said Clyde would be "opportunistic" about possible disposals.

VHE worth £37m in placing

By Peter Pearce

VHE HOLDINGS, a specialist contractor, is coming to the main market via a placing which values the company at £36.9m.

Founded in 1979, the Barnsley-based company is involved in environmental land reclamation and regeneration and civil engineering, mostly in the Midlands and the north of England.

A roadshow has given presentations to about 100 institutions in London and a further 10 in Scotland and it is

believed the placing, sponsored by Panmure Gordon, will be comfortably over-subscribed.

Some 10.5m shares are being placed at 115p each, of which 2.1m are new, and represent 34 per cent of the enlarged equity. At present Mr Brian Waldron, the 54-year-old founder and chairman, and Mr Brian Thomson, the 45-year-old managing director, who joined in 1984, each hold 50 per cent.

After expenses VHE will receive £2m, leaving the company with about £6m in cash.

In the year to March 31 pre-

tax profits were £2.89m (£246,000) on turnover of £19.3m (£16.8m). Currently its order-book stands at £20m. VHE has made no profits forecast for the year to March 31 1994, but analysts are expecting between £3.4m and £4m pre-tax.

About 19 per cent of VHE's turnover in the current year is expected to derive from St Paul's, a property company of which Mr Waldron and Mr Thomson, directly or through trusts, each own 40 per cent.

VHE's contracts range in value from £100,000 to £10m.

The reasons cited for the flotation include the fact that its enlarged capital base and increased resources will allow it to "tender for larger contracts as main contractors and to perform those larger contracts which it is awarded".

The Department of the Environment has reckoned that there are about 101,000 acres of derelict land to be reclaimed in England, such as former coal mines, steel works and power stations.

Since 1991 VHE has reclaimed about 1,000 acres of contaminated land.

Jeyes tumbles to £374,000

By Peggy Hollinger

JEYES Group, the cleaning products manufacturer which stunned the market with a profits warning in June, yesterday reported an 82 per cent drop in interim pre-tax profits to £374,000 on sales 61 per cent higher at £27.5m.

Mr Jimmy Moir, chief executive, was confident, however, that the sharp profits downturn had been a hiccup after a series of one-off factors. These included over-enthusiastic spending on marketing in the company's bleach and wipes business, and the costs of restructuring the group's divisions following the acquisition last year of Globol in Germany.

Mr Moir said Jeyes had spent some £4m on marketing bleach and wipes in the UK, leaving it with a greater market share. Although the spending had been budgeted for, margins were severely hit when competition forced down prices. How-

ever, Mr Moir said conditions had now returned to normal.

The chief executive remained cautious about the full year, however, until autumn trading became more clear. "It is crucially important that we deliver the bacon at that time," he said.

The UK division, which accounts for 45 per cent of turnover, was showing a 5 per cent increase in year-on-year sales. The international division, excluding Germany, had been hindered by difficult trading in France and Spain and destocking in North America. Mr Moir said the North American business had since improved its efficiency.

Germany was showing a 10 per cent increase in sales at the half year, he said.

Jeyes took an exceptional charge of \$810,000 to pay for redundancy costs. A further provision of £5.8m was shown in the balance sheet to cover restructuring costs. Some 27

management jobs were cut in the first half, and Mr Moir said the group expected to reduce the workforce by a further 250. Earnings per share tumbled from 9.4p to 1.2p. The dividend was increased to 3.5p.

COMMENT

As Mr Moir frankly admits, Jeyes may have "chased the market a little too hard". But since the group has won greater market share as a result, the most severe damage in the medium term may well have been to its credibility in the City. The shares are likely to tread water at least until the final, when Mr Moir's cautiously optimistic statements will be put to the test. Jeyes will also have to prove that it can get gearing, currently at 54 per cent, to an acceptable level. Expectations are for pre-tax profits of £4.7m, leaving a prospective p/e of 22 times. It is likely to be 1994 before Jeyes begins to recover its shine.

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V.H.E.

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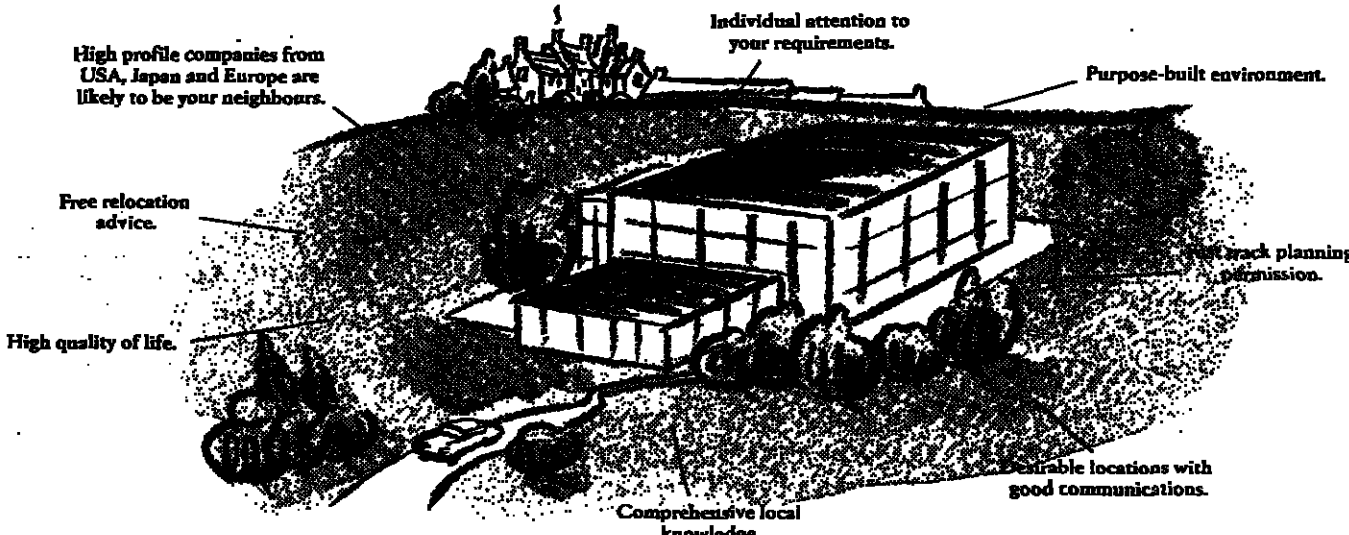
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FIDELITY WORLD FUND
Société d'investissement à Capital Variable
Kansallis House
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L-1021 Luxembourg
Luxembourg B9497

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the Shareholders of FIDELITY WORLD FUND, a société d'investissement à capital variable organisée under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallis House, Place de l'Étoile, Luxembourg, at 11:00 a.m. Tuesday, September 28, 1993, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the fiscal year ended May 31, 1993.
4. Discharge of the Board of Directors and the Auditor.
5. Election of six (6) Directors, specifically the re-election of Messrs. Edward C. Johnson 3d, Barry R.J. Bateman, Charles T.M. Collis, Charles A. Fraser, Jean Hamilius and H. F. van den Hoven, being all of the present Directors.
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.
7. Declaration of a cash dividend in respect of the fiscal year ended May 31, 1993, and authorization of the Board of Directors to declare further dividends in respect of fiscal year 1993 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
8. Proposal, recommended by the Board of Directors, to amend Article 16 of the Fund's Articles of Incorporation in its entirety, principally in order to delete the specific limitations in the nature of investment safeguards and to delete the description of certain of the powers of the Board of Directors set forth therein and to substitute more general language in order to provide greater discretion to the Board of Directors in determining the Fund's investment safeguards and permissible investments, and to describe more generally the Board's authority to manage the Fund's business, subject to the requirements of Luxembourg law and regulation. Copies of Article 16 as proposed to be amended may be obtained from the Fund at its registered office in Luxembourg and are being mailed to all registered shareholders with this Notice of Meeting.
9. Consideration of such other business as may properly come before the meeting.

Approval of items 1 through 7 of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with no minimum number of shares present or represented in order for a quorum to be present.

Approval of item 8 of the Agenda will require the affirmative vote of two-thirds (2/3) of the shares present or represented at the Meeting at which a majority of the outstanding shares must be present or represented; if a quorum is not present, then at an adjourned session of the Meeting, approval of item 8 shall require the affirmative vote of two-thirds (2/3) of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present.

Subject to the limitation imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: August 31, 1993

BY ORDER OF THE BOARD OF DIRECTORS.



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Copies of the Offering Circular dated 7th September, 1993 will be available during normal business hours for collection only until and including 17th September, 1993 from the Company Announcements Office of the London Stock Exchange, Capel Court Entrance off Bartholomew Lane, London EC2, and until and including 29th September, 1993 from the Listing Sponsor, S.G. Warburg Securities Ltd., 1 Finsbury Avenue, London EC2M 2PA and from Halifax Building Society at its principal office at Trinity Road, Halifax, West Yorkshire HX1 2RG.

15th September, 1993

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FINANCIAL TIMES
ECONOMICS & MARKETS

COMPANY NEWS: UK

Watmoughs shows 24% improvement to £6.37m

By Paul Taylor

WATMOUGHS (Holdings), the Bradford-based printer, yesterday reported a 24 per cent increase in first-half pre-tax profits and an improvement in its interim dividend.

Pre-tax profits increased to £6.37m in the six months to June 30 against £5.12m in the year-ago period on turnover which grew by 18 per cent to £85.5m (£85.5m). Interest costs fell to £76,000 (£164,000).

Earnings per share improved to 13.38p (11.14p) out of which the group is paying an increased dividend of 3p per share compared with 2.7p at the interim stage last year.

In addition the group is proposing a 1-for-1 scrip issue "in view of the substantial increase in the market price of the company's shares" which

has more than doubled over the past two years. Yesterday the shares closed up 16p to 748p.

The board has also proposed the early redemption of the group's 5 per cent and 6 per cent preference shares. The proposals are subject to shareholder approval.

Mr Patrick Walker, chairman and chief executive, said the group's UK activities "continued to benefit from a slight improvement in the overall level of demand, our capital investment programme over recent years (which has totalled £100m), and firm management and financial controls."

He said the slight upturn in demand in the UK experienced towards the end of last year continued throughout the 1993 first half "with an improving

trend in the second quarter."

Mr Walker added that moves by a number of newspapers to produce colour tabloid sections had resulted in an increase in demand for web-offset printing. "It is not a sellers' market, but there is certainly an increase in demand," he said.

Over the past few months Watmoughs has won a number of new newspaper printing contracts, including part of the new colour tabloid for the Mail on Sunday and the new Observer colour supplement.

Elsewhere, Mr Walker said the group's new Spanish printing operations came on stream progressively during the second quarter and produced a small initial pre-tax profit contribution, as did the group's Royal Nyomda Hungarian subsidiary, which "continued to make good progress."

Scholes advances 36% to £4.31m

By Peter Pearce

SCHOLES, the electrical installation materials group, lifted pre-tax profits by 36 per cent from £3.17m to £4.31m in the year to June 30 despite "no overall growth" in the group's markets.

Mr Bill Riches, executive chairman, said that, although there had been "a marked reduction in costs", the main engine of profits growth had been increased productivity.

But he acknowledged there was "not a great deal more scope" for reducing costs and the increasing efficiency - the workforce was cut by a further 5 per cent to 1,545 in the year - without piling the group too thin.

Mr Alan Baxter, who has been chief executive for a little over a year, is to leave the group.

Mr Riches said: "It just didn't work out."

Turnover edged up £700,000 to £82.7m and operating profits advanced 27 per cent to £4.81m (£3.8m). Mr Riches said that, in spite of strong competition,

margins in the core electrical equipment manufacturing activities rose from less than 8 to 9 per cent. Good quality products were part of the reason for this, he added.

An important factor in this, and "a crucial component of future strategy", was the alliance with Asea Brown Boveri, where ABB provides technology and components, especially all the technology on Wylex's miniature circuit breakers came from ABB and 40 per cent of Wylex's products overall.

The turnover figure concealed a small domestic decline, though there was also a 30 per cent rise in exports to £28m, of which £5.8m (up 47 per cent) came from the Middle East. Mr Riches reckoned that sterling's devaluation accounted for about two-thirds of the increase in exports.

Net interest charges fell to £254,000 (£294,000) as net borrowings fell to nil (£3m). Earnings grew to 7.7p (5.9p) and the final dividend is held at 3.4p for an unchanged total of 5p.

Reduced interest payments help lift BDM 69% to £4.2m

By David Blackwell

A STEEP FALL in interest payments following flotation early last year helped to boost pre-tax profits at British Data Management by 69 per cent to £4.2m (£2.51m) for the year ended June 30.

Operating profits at the specialist data storage group were ahead 24 per cent at £4.45m (£3.59m) on turnover up at £15.6m (£13m).

Interest payments fell to £224,000 from £1.08m previously. Net borrowings, which were around £10m before the flotation, were £5m at the year end, giving the company a 30 per cent gearing.

The pre-tax profits were also helped by a low tax charge following over-provision in previous years.

Mr Stephen Crown, chairman and chief executive, described the first full year as a "fantastic year". Three commercial data management businesses had been acquired for a total outlay of £3.5m. This had added 225 customers, taking the total to 1,200.

BDM is the UK market leader in data storage for the oil and gas industry. The group commissioned a second data centre in Aberdeen after winning a contract to manage BP Exploration's library and records centre. It was opened last week by Mr Tim Eggar, energy minister.

Mr Crown said that more companies seeking to concentrate on their core activities would be looking outside for data management. "We can

take away the hassle of filing."

In addition there was plenty of potential for contracts from Government and the National Health Service.

BSS, the division which makes specialist racking systems, had had a "fantastic year", said Mr Crown, boosting its contribution to group operating profit by 55 per cent on turnover ahead 24 per cent.

Turnover at Eurocrate, which supplies the removals industry with plastic crates, was ahead 18 per cent - the first rise for three years.

The group's earnings per share were 14.5p, up from a previous 11.5p. The final dividend proposed is 3.25p, giving a total of 4.75p for the year compared with a notional 4p given in last year's prospectus.

Losses at acquisition put Magellan Inds in red

SEASONAL LOSSES at Vaga, the lingerie offshoot acquired last year, left Magellan Industries with pre-tax losses of £174,000 in the half year ended June 30.

In the same period last year the Marks and Spencer supplier, formerly known as Celestion Industries, recorded losses of £93,000, restated for FR 3.

However, the company said the figures were not comparable because of the number of changes. Two companies had been discontinued and one acquired. Continuing businesses recorded pre-tax profits of £793,000 last time.

Turnover this year was

£17.1m and the pre-tax figure was struck after interest charges of £222,000 and an exceptional charge of £495,000, relating to provisions against the holding in Dunkeld and losses following the sale of the Slix brand.

Turnover last time was £17.6m, of which £5.8m related to discontinued businesses, and the interest charge was £230,000, discontinued businesses £118,000.

Losses per share came out unchanged at 0.4p.

Mr Charles Ryder, chief executive, said progress was being made and order books were higher than a year ago.

BZW seeks £20m for endowment fund

By Philip Coggan,
Personal Finance Editor

BZW is launching a Jersey-based closed-end investment company which is to be listed on the London stock exchange. The BZW Endowment Fund will invest in the second-hand with-profits endowment policies which are issued by insurance companies.

The fund is raising up to £20m to invest in the policies, which it will buy from market-makers Beale Dobie and Policy Portfolio.

The shares are being offered at 100p,

with 50p payable in October and the remaining 50p in April 1994. No dividends will be paid. The costs of the issue are expected to be about 5.5 per cent and the annual management fee will be 0.5 per cent.

As a Jersey-based company, it will be able to distribute its assets as capital profits during the final five years of its life between 2001 and 2005. This option is not open to an onshore investment trust.

Private investors may find the five year pay-off efficient for financial planning and for capital gains tax purposes.

With-profits endowment policies have

terms ranging from 10 to 25 years. Policyholders face surrender penalties if they want to cash in their policies before maturity. Instead, many sell the policies in the second hand market, where investors are willing to pay more than the offered surrender values.

Bonuses on endowment policies are being cut, as insurance companies adjust to the lower investment returns available in the 1990s. However, even allowing for a 10 per cent bonus cut over the next year and no growth in bonuses after that, BZW estimates that the fund can grow at 10.1 per cent per year.

Hewitt falls to £335,000

HEWITT Group, the manufacturer of industrial ceramics and refractories, reported a £76,000 drop in pre-tax profits to £335,000 for the six months to June 30.

However, the company said, last year's interim figure of £469,000 had been enhanced by a one-off profit of £98,000 on the sale of an investment.

During the period Hewitt entered into a joint venture with the technical ceramics division of NV Koninklijke Sphinx, the Dutch sanitary-ware and ceramic tile group, and the result this time had benefited from a three-month contribution amounting to £96,000.

Turnover for the six months rose from £3.74m to £4.36m, boosted by £978,000 of sales from the Sphinx operation.

Borrowings had risen during the first half, the company said, in order to finance the acquisition of Sphinx and the continuing investment programme in Germany. Gearing at the period end stood at 64 per cent, but that was expected to fall in the second half, the directors added.

The interim dividend is being raised by 20 per cent to 1.5p (1.25p) and is paid from earnings per share down from 7.3p to 6.4p.

WSP Holdings drops to £279,000

Pre-tax profits of WSP Holdings, the consulting engineer, fell from £352,000 to £279,000 for the half year to June 30. Turnover was static at £5.1m.

The interim dividend is being cut to 0.9p (1.1p). Earnings per share slipped to 1.9p (2.4p).

NEWS DIGEST

Alexander Russell up at £632,000

INCREASED demand for paviers and roof tiles from the concrete products division helped Alexander Russell show interim pre-tax profits ahead at £632,000, against £621,000.

Turnover in the six months to June 30 for this Glasgow-based company declined 6 per cent to £17.6m (£18.7m) reflecting the weak market for UK coal and the ending of the US coal business.

Earnings per share were 0.75p (0.88p). The interim dividend is halved at 0.5p, but the company said this should not be taken as an indication of the total payment for the full year. Last year the final dividend was passed.

Trans World

A poor performance in May left pre-tax profits at Trans World Communications, the local radio company, down 36 per cent at £254,000 for the first half of 1993, compared with £395,000.

However the USM-quoted company, which operates local

radio stations in the north-west of England, West Yorkshire and south Wales, said that the position had recovered and at the end of the first eight months profits were ahead.

Turnover was static at £5.71m (£5.69m).

After a tax charge this time of £76,000 (nil), earnings per share were halved at 0.5p (1.1p). Following its return to the dividend lists with a 0.8p final payment last time the company is declaring its first interim since 1989 with a 0.3p payment.

ISA International

ISA International, which sells products for computer users in 30 countries, saw a 48 per cent increase in pre-tax profits to £1.95m for the half year ended June 30.

Turnover rose by 27 per cent to £66.6m, (£52.3m), while organic growth from existing operations was 20 per cent.

CTS Svenska, the Swedish company acquired for some £3.5m in February, contributed nearly £200,000 after interest costs, which means that organic profits growth was 33 per cent.

Earnings per share came out 24 per cent ahead at 3.29p (2.65p), a lower growth rate

than profits owing to the shares issued at the time of the Swedish acquisition.

There is an increased interim of 0.55p (0.48p), covered 5.69 times by earnings.

James Finlay

Profits before tax of James Finlay, the overseas trading and financial services group, improved from £3.6m to £3.8m for the half year ended June 30.

Earnings slipped to 1p (1.8p) per share but the interim dividend is being held at 2p.

Turnover advanced to £76.3m (£70.7m) and operating profits emerged at £4.68m (£4.51m) of which the UK accounted for £2.3m (£1.28m).

Ecclesiastical Ins

Ecclesiastical Insurance Office, the ethical insurance company owned by Allchurches Trust and responsible for insuring Anglican churches, turned in a £4.76m profit for the half year to June 30, up from £3.65m last time.

Premium income was up from £73.5m to £86.6m, with general premium turnover up to £78.2m (£64.3m) and life business contributing £10.3m (£9.15m). Investment income was ahead at £4.88m (£3.87m). Minorities required £457,000

(nil). Ecclesiastical obtained a controlling stake in the St Andrew Trust in January as a vehicle for investing in smaller companies.

EBC

Profits of EBC, the Exeter-based construction and development group, improved from £481,000 to £562,000 pre-tax for the half year ended June 30.

External turnover of £28.4m compared with £25.3m. Trading conditions did not improve and competition for available work remained fierce.

The interim dividend is being maintained at 1.75p from earnings of 3.03p (2.9p).

Torday & Carlisle

Torday & Carlisle, the Newcastle-based engineer, swung from losses of £383,000 to profits of £17,000 pre-tax for the half year ended June 30.

Mr Peter Ryan, the chairman, said the results reflected the elimination of losses at Oldham Signs following 1992's restructuring, offset to a significant extent by declining profits at DMI Europe.

Turnover of the continuing operations fell to £18.34m (£20.12m). Earnings of 0.36p compared with losses of 3.1p.

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(Incorporated in England under the Companies Act 1985 with registered number: 142009)

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Authorized 24,000,000 Ordinary Shares of 35p each Issued and to be issued fully paid £8,400,000 £8,506,321

Shield Diagnostics Group plc specialises in the development, manufacture and worldwide marketing and sales of in vitro diagnostic tests for the diagnosis and monitoring of human disease.

The Ordinary Shares now being placed will rank pari passu in all respects with the other Ordinary Shares which will be placed immediately following the Placing including the right to receive all dividends and other distributions hereafter declared, paid or made on the Ordinary Shares of the Company.

Copies of the Listing Particulars may be obtained during normal business hours from Company Announcements, the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London, EC2, by collection only, up to and including 17 September 1993 or during normal business hours on any weekday up to and including 29 September 1993 from:

Allied Provincial Securities Ltd Shield Diagnostics Group plc Allied Provincial Securities Ltd 155 St. Vincent Street The Technology Park 4 Bideford Lane London, SE1 4HT London, EC2 1NR.

16 September 1993

THE VENEZUELA HIGH INCOME FUND N.V.

DIVIDEND NOTICE

Consistent with the authorization granted by the Board of Supervisory Directors on August 12, 1993, notice is hereby given that the Fund will pay a distribution of U.S. dollars of \$0.25 per share on October 15, 1993 to common shareholders of record at the close of business on September 30, 1993, in the case of shares held in registered form, or upon presentation of coupon number 9 attached to the common share certificate to the Fund's Paying Agent (on or after October 15, 1993), in the case of common shares held in bearer form.

By order of the Managing Director

Managing Director and Location of Principal Office

Caracas Corporation Company N.V.

De Ruyterlaan 62, P.O. Box 812

Willemstad, Caracas

Netherlands Antilles

Administrator, Registrar, Transfer and Paying Agent

Chilvest (Bahamas) Limited

Thompson Boulevard

P.O. Box N1576

Oranjestad, Bahamas

Investment Manager

Scauder, Stevens & Clark, Inc.

Polypipe sees revival as profits rise 11%

By Peggy Hollinger

THE long-depressed UK building sector is beginning to show vigorous signs of life, according to Polypipe which yesterday reported buoyant sales and profits for the year to June 30.

Mr Kevin McDonald, chairman, said the group was experiencing increased business "right across the building sector".

The order book had returned to normal levels, he said. "This is the first normal year we have had in four years." New buildings account for about 12 per cent of group sales.

Polypipe, which manufactures pipes for industrial and commercial use and other domestic plastic products such as bathroom fixtures, windows and garden furniture, said sales volumes were running between 4.5 per cent and 6.5 per cent ahead of last year in the various divisions.

The group reported an 11 per cent increase in pre-tax profits to £17.1m (£15.4m), on sales also 11 per cent ahead to £120.5m (£108.3m). Acquisitions contributed £600,000 to sales and £50,000 to profits.

The growth was achieved through a combination of new products and growing market share, said Mr McDonald. Exports also rose by 15 per



Kevin McDonald, left, and Bryan Stock, finance director

cent to \$9.4m, with the strongest increase in sales to the Middle East.

Operating margins were slightly ahead of last year, rising from 14.28 per cent to 14.42 per cent.

The group's core business, above and below ground pipe fittings continued to grow, the company said. Polypipe claimed 21 per cent of the above ground drainage market, and 16 per cent of the domestic underground sector.

Mr McDonald said the group had increased market share in spite of the imposition of

higher prices. He stressed that the group would not hesitate to raise prices again if raw material costs continued to increase.

Polypipe spent some £12.5m on capital expenditure, similar to that of last year, and 1.7 times the rate of depreciation. It planned to spend £12m this year. The group ended the year with net cash of £5.7m.

Earnings per share rose by 11 per cent to 7.4p (6.69p). The proposed final dividend is being increased by 7.5 per cent to 1.44p for a total of 2.1p (1.97p).

Quarto seeks £9.5m for expansion

By Catherine Milton

QUARTO is calling on shareholders for £9.5m to triple its art print business, as the publisher and publishing services company yesterday announced pre-tax profits up from £1.2m to £1.63m for the six months to June 30.

The company is to acquire Scafa, a publisher and distributor of art prints in the US, for \$4.4m (£2.9m) plus between \$1.2m and \$6.5m on a profit formula basis payable by September 1993.

The deal pushes Quarto's art business up from 30 per cent to 37 per cent of total turnover, of which art prints will be a third, compared with 10 per cent now.

The rights issue is on a 3-for-11 basis at 22.5p, underwritten by Samuel Montagu.

The company plans to allow Scafa \$5m in "acquisition finance" with the balance going to reduce Quarto's net debt.

At the half-way stage Quarto had net debt of £8.5m (£8.4m) and gearing of 96 per cent. Pro forma, this will fall to 25 per cent post rights.

Net interest payments climbed to £228,000 (£177,000) because the company moved Western Signcraft, a silk-screen printer, 20 miles from Bristol to Corsham, costing £300,000.

Turnover rose to £19.5m (£16.5m).

The sales increase was in volume rather than price. The new administration in the US, where the company sells more than 40 per cent of turnover, had been "positive" for Quarto. Sales had also benefited from favourable currency translation.

Mr Laurence Orbach, chairman, said that following a slightly flatter second quarter trading in the seasonally more significant second half had "picked up".

The interim dividend is 2p (1.6125p) payable from earnings per share of 6.4p (3.9p).

Cost cutting helps Lopex to £144,000

Lopex, the advertising and marketing services company, reported pre-tax profits of £144,000 for the first half of 1993. The comparable figure was a loss of £802,000, restated for FR 3, and after losses on disposals of £477,000.

The pre-tax figure also benefited from lower interest charges of £187,000 (£465,000). However an increased tax charge of £270,000 (£136,000) contributed to retained losses of £141,000 (£768,000).

The company said there had been a big improvement in the UK largely due to the cost savings programme. Losses per share were 0.88p (3.24p).

Avonmore ahead 16% to £11.2m

By Tim Coone in Dublin

AN EXPANSION programme worth £71m (£68.5m) during 1992 by Avonmore Foods, the Irish dairy and meat processor, was the main factor behind a 16 per cent increase in interim pre-tax profits to £11.2m, against £9.63m.

Turnover rose 54 per cent to £514.7m (£335m) for the six months to July 3.

Ten acquisitions and two joint ventures were completed last year, largely in the meat processing business where turnover advanced more than 2½ times to £214.7m (£80.6m) and now accounts for more than 40 per cent of group sales.

However meat division operating profits grew by only 22 per cent to £3.9m (£3.2m), reflecting the present very tight margins in the market.

The company said: "The overall performance of the meat division was affected by difficult trading conditions in the European market and the turnaround nature of the 1992 acquisitions."

Mr Brendan Graham, group secretary, said: "Our meat business has grown very rapidly and six months is a short time for companies which are being turned around."

Domestic & General rises to £7.7m

By Richard Lapper

DOMESTIC & General, the domestic appliance breakdown insurer, reported pre-tax profits up from £6.2m to £7.7m for the year to June 30.

Mr Martin Copley, the chairman, said he was "delighted with the progress" made by D&G, which has a share of about 12 per cent of the £350m a year appliance breakdown market.

Earnings per share were up 34 per cent to 76.5p and the dividend increased by 25 per cent to 22.5p. Turnover grew by 27.3 per cent to £56.29m (£44.23m), while underlying premium income, net of reinsurance, rose by 29.9 per cent to £50.03m.

Total contribution (underwriting profits before expenses) amounted to £13.57m (£11.23m) and investment income £6.14m (£5.88m). Expenses were £11.46m (£10.45m). Interest payable amounted to £252m (£280m) and the group contributed £277m (£68m) to the Policyholders' Protection Board.

Mr Copley said that less than 30 per cent of domestic appliances are insured and that D&G is seeking to increase penetration of the market by persuading customers to insure other appliances.

D&G launched a "multi-appliance policy" in June and aims to step up its efforts to expand in Europe, especially France and Germany. #

"But we believe we have put a good business together at a modest cost, and the fundamentals are good. We are selling good products into 25 countries. The focus for the division from now will be on integration and efficiency measures."

Further growth will come through in the second half from the £21.6m acquisition of the Birmingham area operations of Dairy Crest last July. As a result Avonmore is the UK's fifth largest liquid milk supplier with a 7 per cent share of the market.

Interest charges increased 53 per cent to £56.71m (£37.37m), as a result of the acquisition programme.

The composite tax rate increased from 10.2 per cent to 13.8 per cent, reflecting the ending of tax exemptions for co-operatives in Ireland, and a growing contribution from overseas subsidiaries which face higher rates. The tax charge was £15.55m, compared with £9.85m.

Earnings per share were 5.38p (4.74p). An interim dividend of 1.55p (1.45p) has been declared.

Mr Liam Igoe of Goodbody Stockbrokers in Dublin forecast a year-end pre-tax profit of £29.1m and for earnings of 13.6p.

McDonnell Douglas IS at £5.2m

By Alan Gane

McDonnell Douglas Information Systems, the computing services company created through a buy-out from the US aerospace group earlier this year, performed encouragingly in its first half year of independence.

For the six months to June 30 pre-tax profits were £5.2m on revenues of £56.5m.

Mr Jerry Causley, chief executive, said he was pleased with the result given difficult trading conditions and the time and energy the company's management had devoted to the buy-out.

"We continue to generate profit from our focus of providing total IT solutions to specific market niches," he said. These include the health service and the police.

The company this year won the contract to manage all the computer operations for the Devon and Cornwall Police. Yesterday it announced it had won a £3.3m contract, let by four hospitals to East Anglia.

MDIS traditionally performs significantly better in the second half of the year. Last year it reported operating profits of £19.6m on revenues of £160m. No date has yet been set for flotation, although it is clear the company is waiting only for encouraging market conditions to complement its financial performance. Cash remains strong but no acquisitions are anticipated.

COMPANY NOTICES



Following the DIVIDEND DECLARATION by Ford Motor Company (U.S.) on 8 July 1993 NOTICE is now given that the following DISTRIBUTION will become payable on or after 15 September 1993.

Gross Distribution per unit 2-0000 Cents
Less 15% USA Withholding Tax 0-3000 Cents
Converted at \$1-545 1-7000 Cents
£0.01100323

Claims should be lodged with the DEPOSITARY: National Westminster Bank PLC, Basement, Juno Court, 24 Prescott Street, London E1 9BB on special forms obtainable from that office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

Dated 15 September 1993

EDUCATION



THE UNIVERSITY OF NEW SOUTH WALES, AUSTRALIA

cordially invites all fellow UNSW alumni and their families to attend a Cocktail Reception to welcome

THE VICE-CHANCELLOR, PROFESSOR JOHN NILAND, AO, on MONDAY OCTOBER 4TH at DENHAM PLACE, VILLAGE ROAD, DENHAM SOUTH BUCKS at 7.00 P.M.

For further information please contact Ms Joan Meers Tel: 0895 834949 Fax: 0895 834734 R.S.V.P. by September 27th 1993

LEGAL NOTICES

JOHN F. MILES LIMITED

APPOINTED 2 JULY 1993

NOTICE IS HEREBY GIVEN, pursuant to Section 48 (2) of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at Brideswell House, 6 Greyfriars Road, Reading on 30 September 1993 at 10.00am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if (a) they have been delivered to us in the address shown below, by no later than 29 September 1993, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and (b) there has been lodged with us any proof which the creditor intends to be used on his or her behalf.

Dated: 9 September 1993
Signed: J.F. Miles for the Joint Administrative Receiver

Chambers & Lybrand
9 Greyfriars Road
Reading
RG1 1LG

PERSONAL

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APPOINTMENTS

ADVERTISING

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For further information please call: Gareth Jones on 071-873 3199

Andrew Skarzynski on 071-873 3607

Philip Wrigley on 071-873 3351

JoAnn Gredell New York 212 752 4500

Ferrovie dello Stato

LIT 500,000,000,000

Floating Rate Notes due 2002

LIT 700,000,000,000

Floating Rate Notes due 2002

2 branches

For the period from September 15, 1993 to March 15, 1994 the Notes will carry an interest rate of 8.50% per annum with an interest amount of LIT 214,587.50 per LIT 5,000,000 and of LIT 2,145,875.00 per LIT 50,000,000.

The relevant interest payment date will be March 15, 1994.

Agent Bank: Banque Paribas Luxembourg Société Anonyme

US \$33,750,000

Floating Rate Notes due 2008

For the period from September 15, 1993 to March 15, 1994 the Notes will carry an interest rate of 8.50% per annum with an interest amount of US \$16.88 per US \$1,000.

The relevant interest payment date will be March 15, 1994.

Agent Bank: Banque Paribas Luxembourg Société Anonyme

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"INTELLIGENT TECHNICAL SYSTEMS"

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TEL: 0474-594 335 FAX: 0787-388394

CALLING OF A SHAREHOLDERS MEETING

The shareholders of Credito Italiano are called to attend an Extraordinary Shareholders Meeting to be held on September 22, 1993 at 3.30 p.m. in the Bank's registered office in Genoa, in Via Dante 1. If necessary a second sitting will be held on September 23, 1993 at the same address and at the same time, to discuss and debate upon the following

Agenda

1) The amendment of the following articles of the company's Articles of Association: 1, 2, 3, 4, 5, 9, 12, 13, 14, 16, 21, 22, 23, 24, 37, 38, 39 and 43.

All shareholders holding ordinary shares with voting rights may attend the meeting, providing that they are listed in the Shareholders Register, and that they have deposited their shares with any Credito Italiano branch or with Monte Titoli S.p.A., at least five days before the date scheduled for the Shareholders Meeting.

THE BOARD OF DIRECTORS



The terms, charges, conditions and details for the supply of a 64KB Hyperfeed are available on request. For further information, please contact: DC QUOTE 64KB HYPERFEED

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 1 PLC

Class A-1 Mortgage Backed Floating Rate Notes Due March 2020

NOTICE IS HEREBY GIVEN to Bankers Trust Company Limited (the "Trustee") and to the holders of the Class A-1 Mortgage Backed Floating Rate Notes Due March 2020 (the "Class A-1 Notes") of Mortgage Funding Corporation No. 1 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st March, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st March, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the redemption provisions set out in the Terms and Conditions of the Class A-1 Notes, Available Capital Funds as defined in the Terms and Conditions in the amount of £2,000,000 will be utilized on 30th September, 1993 (the "Redemption Date") to redeem a like amount of Class A-1 Notes. The Class A-1 Notes selected by drawing lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS A-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearing Notes									
161	242	272	496	529	586	709	753	758	
780	829	876	900	910	931	933	967	1109	
1523	1679								

The Class A-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York
PO Box 161, 60 Victoria Embankment
London EC4Y 0JP

Morgan Guaranty Trust Company of New York
Avenue des Arts 35, B-1040 Brussels, Belgium

Union de Banques Suisses (Luxembourg) S.A.
36-38 Grand-rue
L-2011 Luxembourg

Morgan Guaranty Trust Company of New York
55 Exchange Place, Basement A
New York, New York 10260-0023
Attn: Corporate Trust Operations

In respect of Bearer Class A-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unexpired coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class A-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 1 PLC

By: Morgan Guaranty Trust Company

as Principal Paying Agent

Dated: 15th September, 1993

NOTICE

Withholding of 31% of gross redemption proceeds of any payment made within the United States is required by the Internal Revenue Code of 1986 and amended by the Energy Policy Act of 1992 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class A-1 Notes to the paying agency's New York Office.

This notice is issued in compliance with the requirements of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("London Stock Exchange"). Application has been made for all of the share capital of Gartmore Shared Equity Trust P.L.C. issued and to be issued to be admitted to the Official List.

GARTMORE SHARED EQUITY TRUST P.L.C.

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2844702)

Offer for Subscription

by

Greig, Middleton & Co. Limited

of

up to 26,000,000 geared ordinary income shares of 10p each at 100p per share

and of

up to 23,300,000 zero dividend preference shares of 10p each at 103p per share

payable in full on application

SHARE CAPITAL

Authorized	Issued and to be issued, fully paid
43,000,000	geared ordinary income shares of 10p each up to 42,901,530
68,000,000	zero dividend preference shares of 10p each up to 67,691,372

Greig, Middleton & Co. Limited has received commitments to apply for 11,348,000 geared ordinary income shares and 12,000,000 zero dividend preference shares.

Copies of the Listing Particulars and Application Forms can be obtained during normal business hours up to and including 19th October, 1993 from any of the following:

Barclays Registrars, 170 Fenchurch Street, London EC3
Gartmore Investment Limited, 16-18 Monument Street, London EC3
and
Greig, Middleton & Co. Limited, 66 Wilson Street, London EC2 and Pacific House, 70 Wellington Street, Glasgow

In addition, copies of this document can be obtained, for collection only, up to and including 17th September, 1993 from The Company Announcements Office, the London Stock Exchange, the London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2 and details are included in the Companies Fiche Service available from Extel Financial Limited, 37-45 Paul Street, London EC2A 4PB.

Greig, Middleton & Co. Limited is a member of the Securities and Futures Authority Limited and of the London Stock Exchange.

15th September 1993

COMMODITIES AND AGRICULTURE

Copper prices slide further as supply squeeze eases

By Richard Mooney

LONDON METAL Exchange copper prices yesterday extended the decline that has continued uninterrupted since the exchange management acted a week ago against the squeeze on supplies that had been propping up nearby delivery positions.

The three months position, which stood at \$1,947.50 a tonne before the LME announced that the cash/one day premium would be limited to \$5 a tonne, fell by \$30 yesterday to \$1,917.50 a tonne. The cash position has fallen even more sharply since the announcement, by \$112 to \$1,805.50 a tonne.

Mr Wilton Bielski, analyst at Balm and Company, part of the Deutsche Bank group, said that yesterday's sell-off followed the breach of the support level at \$1,890 a tonne that had been under pressure since the end of last week. The resulting fall was exacerbated by the triggering of stop-loss selling orders, he added.

Even before the LME move the holders of short positions who were caught in the squeeze had been heartened by the unexpected passing on the first of this month of critical options date. It had been feared that this could have been the occasion for the administration of the *coup de grace* as the

influential holders of call (buying) options declared them and forced granters to scramble for cash supplies at ever widening premiums. In the event, however, most of the options holders simply rolled them forward into October and December.

That was why, explained Mr Bielski, the backwordation

positions.

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Cocoa futures climb to fresh highs

By Richard Mooney

THE LONDON cocoa market continued its recent upward trend yesterday as bullish sentiment was fuelled by rumours of defaults on Indonesian shipments.

For while it looked as though an assault would be mounted on the psychological barrier at \$200 a tonne for the December futures position, but the rise faltered at \$200 and by the close the December contract had eased back to \$200 a tonne, up \$13 on the day and the highest second position close for 38 months.

Dealers were undaunted, however, and most thought further gains were on the way. "We had been forecasting that the December price would reach 1,000 by the end of the year," said Mr Lawrence Eagles, commodities analyst at GNI, the London trade house. "Now it looks as though it could make that by the end of the month."

To achieve that level, he noted, further technical hurdles would have to be cleared at \$200 a tonne, the life-of-contract high for the December position, and at \$207, the long-time high for the second position (reached on May 24, 1990).

The main inspiration behind the latest upsurge, which lifted the December quotation by \$20 last week and has added another \$24 so far this week, has been the growing conviction that the level of world stocks is set to fall heavily.

Mr Eagles explained that the settlement of disposal arrangements for the 230,000 tonnes in the International Cocoa Organisation buffer stock, under which regular monthly releases will be made, meant that the buffer stock effect, which has been a supplier and that its beans could be deleted from overall stocks. Together with an expected world production shortfall of between 200,000 and 300,000 tonnes in the coming season, that meant that the world cocoa stock, about 1.3m tonnes at present, would shrink by between 430,000 and 530,000 tonnes.

Further upward pressure has been provided by late, Mr Eagles said, by the lifting of "short hedges" (market insurance against price falls) as operators became more confident about the outlook for prices.

In addition, he said, speculators who had gambled on a substantial "correction" being made to the recent price rise were cutting their losses and making covering purchases.

Banker says aluminium prices are too low to finance smelter borrowing

By Kenneth Gooding, Mining Correspondent in Montreal

BANKS WOULD want to see the aluminium price at between US\$1,600 and \$1,700 - nearly 50 per cent above the present depressed levels - before offering loans for new aluminium smelters, said Mr Louis Vinciguerra, former finance director of Pechiney and now a general partner at Banque Rothschild in France.

Only at that price level would new smelters cover their full costs.

Prices would return to that level if the industry shut down 1.5m tonnes of annual capacity, he suggested. That was far higher than recent estimates made by other analysts, but Mr Vinciguerra was considering

not just the west in isolation but all the world, including eastern Europe.

Eastern European producers should contribute to these cuts, he suggested, adding: "They must learn that it is better to sell less aluminium at significantly higher prices."

Mr Vinciguerra said at Metal Bulletin magazine's annual aluminium conference that only 3 per cent of western smelter capacity was profitable at today's prices. If annual aluminium demand grew at only 1 per cent it would be virtually impossible to claw back to a price of \$1,600 a tonne. However, if the previous 3 per cent growth rate was resumed, world stocks would start to go down from 1995 onwards, though it would take several

years for all the excess to be absorbed.

Nevertheless, there was no reason to be pessimistic about the future of the industry, he said. All the main markets - transport, construction, packaging and electric cable - were growing.

Some 300,000 tonnes of aluminium capacity in Brazil, about 25 per cent of the total, was threatened with closure because of high power costs, Mr Vinciguerra said.

One solution would be for the industry, which exports about 75 per cent of its production, to build its own power plants, but at present companies were not generating enough cash to do this because of the low world prices for the metal.

making energy the single most significant cost.

Alcan had already shut 36,000 tonnes of capacity because of increased power costs and others in the industry would follow unless special power rates could be negotiated.

Even the two new large export-oriented smelters in the north of Brazil - Albras and Alumina - were threatened when their special power contracts ended in 2005.

One solution would be for the industry, which exports about 75 per cent of its production, to build its own power plants, but at present companies were not generating enough cash to do this because of the low world prices for the metal.

Trinidad and Tobago tries to gear up for oil and gas recovery

Canute James on moves to expand output, despite sagging prices

IN THE face of a soft international market, Trinidad and Tobago's small hydrocarbons industry is moving to expand production of oil and natural gas, with government officials claiming that the Caribbean producer should be ready to take early advantage of any bounce in the market.

The country's economy is heavily dependent on the petroleum sector, and has suffered in recent years from a decline in production because of maturation of the major fields. Crude production last year averaged 135,000 barrels a day, compared with an average of 155,000 b/d five years earlier.

Production fell further to 125,000 b/d in the first quarter of this year.

In an effort to rationalise the industry, the government has changed its tax legislation for oil producers, repealing an oil recovery impost that was introduced in 1987 but increasing the level of its existing petroleum profits tax from 45 per cent to 50 per cent.

Government officials estimated that the new tax legislation would cost the treasury about TT\$150m (US\$26m) in the first year, but that the changes were expected to encourage more investments in the oil industry. They said the government was hoping that new investors in the oil sector would increase national production as demand for oil was not buoyant because of a sluggish world economy. The government is particularly keen to attract companies that would

drill to 20,000 feet if necessary - a depth that would incur costs of US\$20m per well, the officials said.

There is no lack of foreign investor interest in Trinidad and Tobago's petroleum sector. The industry is to benefit from a US\$411m investment for an offshore and on-shore secondary oil recovery programme,

from two agreements with Maraven of Venezuela for processing crude. One is for 40,000 b/d of lago teco crude and the other for processing 30,000 b/d of lago cinco.

The rationalisation of the industry has seen the creation of a new company, the Petroleum Company of Trinidad and Tobago (Petrotrin), which will

take over and merge the operations of two existing state-owned companies. Petrotrin's formation followed the government's conclusion that neither of the existing companies "has the financial ability at this stage to embark on the widespread activity that is required to develop the assets they have in their possession," say industry observers.

The creation of Petrotrin is a condition for the loan for upgrading the refineries and secondary the recovery of heavy oil. "The first project of Petrotrin will be implementation and management of this project," one official said. "This will coincide with Petrotrin's divestment of the government's two-thirds shareholding in the Trinidad and Tobago Marine Company, which produces from offshore wells. The money from the divestment will go towards Petrotrin's contribution to refinery improvement and heavy crude recovery project."

Among the new foreign companies that are moving into the industry is the Unocal Corporation of California which has signed an agreement with the government to explore for oil in a block 45 miles off the east coast of Trinidad. The company will spend US\$22m to explore the block over three years. It is drilling three wells and acquiring seismic data.

There is also foreign interest in the country's natural gas industry. Enron Oil and Gas of Houston, Texas is investing \$250m over five years to develop gas fields and produce natural gas off Trinidad's south-east coast. The project aims to develop three offshore gas fields, with the first scheduled to start production before the end of this year at a rate of 50m cubic feet a day. The venture's production rate will reach 150m cu ft a day when all three wells are brought on stream by 1997.

British Gas and Texaco Incorporated are investing US\$350m in a project off Trinidad's east coast to produce 275m cu ft a day. Mr Arthur Beall, president of British Gas, said Trinidad and Tobago could become one of the leading gas producers in the hemisphere.

Trinidad and Tobago has 9.5 trillion (million million) cu ft of proven reserves and 17.5 trillion cu ft of probable reserves of natural gas. The country's natural averages 730m cu ft a day.

Australian wheat forecast reduced

By Nikl Tait

THE FORECAST for Australia's wheat crop in 1993-94 has been reduced. The Australian Bureau of Agricultural and Resource Economics said yesterday that now expected only 15.3m tonnes to be produced, compared with its previous estimate of 15.7m tonnes.

"Planted areas in South Australia, Queensland and western New South Wales have been revised downward," it commented. "Drought in central Queensland severely reduced wheat plantings."

Indian cotton export quota falls short of expectations

By R.C. Murthy in Bombay

THE INDIAN government yesterday announced a cotton export quota of 500,000 bales (170kg each) for the year beginning September 1.

The quota falls well short of trade expectations that at least 1.3m bales would be allocated to exports, the quantity that was sold abroad last year.

The trade has projected a crop of at least 13.5m bales this year, and with the carryover stock of 3.65m bales the total availability is expected to be

17.2m bales, up by 300,000 bales over last year.

The export quota is comprised of 100,000 bales of short staple cotton, called Bengal Deshi, and 400,000 bales of staple cotton.

Mr M.B. Lal, Chairman of Cotton Corporation of India, said the administration wanted to keep a close watch on the crop because of the vagaries of nature. It feared an announcement of a large export quota might fuel a spurt in prices affecting exports of yarn and garments.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.5 per cent, \$ per tonne, in warehouse, 1,565-1,610 (same).

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 2,300-2,500 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 0.40-0.45 (same).

COBALT: MB free market, 99.8 per cent, \$ per lb, in warehouse, 12.00-12.55 (same); 99.3 per cent, \$ per lb, in warehouse, 11.10-11.60 (11.05-11.55).

MERCURY: European free market, min. 99.99 per cent, \$ per 70 lb flask, in warehouse, 95-110 (same).

MOLYBDENUM: European free market, drummed molybdenic oxide, \$ per lb Mo, in warehouse, 2.40-2.45 (same).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.55-5.30.

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO₃, cif, 20-35 (same).

VANADIUM: European free market, min. 99 per cent, \$ a lb V₂O₅, cif, 1.30-1.40 (same).

URANIUM: Nuxeo exchange value, \$ per lb, U₃O₈, 6.90.

WORLD COMMODITIES PRICES

MARKET REPORT

Base metals prices were mostly lower at the London Metal Exchange in line with copper (see story above). The three months ALUMINIUM price slipped to a 4 1/2-month low of \$1,225 a tonne and dealers said fresh production cuts were sorely needed to turn sentiment around. Losses were pared in late trading but the price still ended \$8 down at \$1,125 a tonne. Three months TIN slipped to a fresh 20-year low of \$16,510, maintaining the current downward, and ended at \$4,525, a \$25 fall on the day. The NICKEL market was depressed by rising stocks and lessening concern over

supply disruptions at Inco's Thompson Manitoba facilities, as a tentative pact was agreed. Some support appeared near \$4,500, however, and final business was at \$4,530 a tonne, down \$20. ZINC generally ignored the trend, with trade interest helping to hold the market steady, and the three months price closed at \$887.50 a tonne, a \$150 gain. At the London bullion market the GOLD price steadied after an early fall to finish just above the technically significant \$345-a-roy-ounce mark.

Compiled from Reuters

London Markets

SPOT MARKETS

Commodity	Unit	Price
Crude oil (per barrel FOB Oct)	Barrel	27.10
Brent Blend (dated)	Barrel	27.10
Brent Blend (Oct)	Barrel	27.10
WTI (per barrel)	Barrel	27.10

Oil products

Commodity	Unit	Price
Gas oil	Barrel	27.10
Heavy fuel oil	Barrel	27.10
Gasoline	Barrel	27.10

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Cocoa - LSE

	Close	Previous	High/Low
Sep 845	840	840	841
Oct 880	887	880	871
Nov 905	908	915	909
Dec 918	926	921	912
Jan 926	928	928	924
Feb 937	921	941	931
Mar 949	934	952	945
Apr 960	946	968	958
May 968	958	978	967
Jun 980	963	983	

Turnover: 16,276 (500) lots of 10 tonnes

XXXX Indicator prices (500s per tonne). Daily price for Sep 13 27.30 (28.48) 10 day average for Sep 14 28.42 (28.51)

COFFEE - LSE

	Close	Previous	High/Low
Sep 1357	1361	1363	1330
Oct 1297	1298	1300	1267
Nov 1277	1245	1283	1233
Dec 1295	1247	1278	1225
Jan 1298	1247	1275	1224

Turnover: 3,646 (250) lots of 5 tonnes

LONDON SHARE SERVICE

AMERICANS

Company	Price	% Chg	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	99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AUTHORISED UNIT TRUSTS

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AIB Unit Trust Managers Limited (180
51 Belmont Rd, Udonkoro, Lagos 10122) 01
275 5444 (Lagos) 01 275 5444 (Lagos)

[illegible][illegible][illegible][illegible]

Uncovered Domestic Unit Trusts (14000F)									
Investment 10/1/92-5/31/93									
Assets: 10/1/92-5/31/93									
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Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro SS

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

redemption price. The difference spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a 1% spread. So a unit of the 34 funds is

However, as a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of securities on the market.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the market alongside the individual unit trust.

The symbols are as follows: (P) - 0001 to 1100 hours; (H) - 1101 to 1400 hours; (D) - 1401 to 1700 hours; (N) - 1701 to midnight. Daily closing prices are set on the basis of the settlement price in short notice of those days.

equipment, please, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio realisation or a switch to a forward pricing

FORWARD PRICING: The Index F Deriv that the customer elects at the time the swap is entered into.

the next valuation. Investors can be given no definite price in advance of the purchase or of being carried out. The prices appearing in the newspaper are the most recent provided by the

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from <http://www.hse.gov.uk>.

Other explanatory notes are contained in the last column of the

65 Life Assurance and Unit Trust
Regulatory Organisation,
Canterbury,
100 New Oxford Street, London WC2A 10PL

Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

[illegible]

● ET Cityline Unit Trust Prices are available over the telephone. Call the ET Cityline Help Desk on (971) 873-4378 for more details.

[illegible]

FT Cyteline Unit Trust Prices are available over the telephone. Call the FT Cyteline Help Desk on (071) 879 4378 for more details.

FT MANAGED FUNDS SERVICE

JERSEY (REGULATED)									
Fund Name	Unit Price	Change	YTD %	3Y %	5Y %	Assets	Manager	Investment Objective	Notes
John Gower (Channel Islands) Ltd (100000)									
Channel Islands Growth Fund	1.12	+0.01	+12.5	+15.2	+18.1	£100m	John Gower	Growth	
Channel Islands Income Fund	1.05	+0.02	+8.1	+10.3	+12.4	£80m	John Gower	Income	
Channel Islands Bond Fund	1.01	+0.01	+5.2	+7.4	+9.5	£60m	John Gower	Bond	
Channel Islands Equity Fund	1.18	+0.03	+14.1	+16.8	+19.2	£120m	John Gower	Equity	
Channel Islands Diversified Fund	1.08	+0.02	+9.1	+11.5	+13.8	£90m	John Gower	Diversified	
Channel Islands Real Estate Fund	1.03	+0.01	+6.1	+8.3	+10.4	£70m	John Gower	Real Estate	
Channel Islands International Fund	1.15	+0.02	+13.1	+15.9	+18.3	£110m	John Gower	International	
Channel Islands Global Fund	1.10	+0.02	+11.1	+13.7	+16.1	£105m	John Gower	Global	
Channel Islands Asia Pacific Fund	1.13	+0.02	+12.1	+14.9	+17.3	£95m	John Gower	Asia Pacific	
Channel Islands Europe Fund	1.11	+0.02	+11.1	+13.9	+16.3	£98m	John Gower	Europe	
Channel Islands US Fund	1.14	+0.02	+12.1	+14.9	+17.3	£102m	John Gower	US	
Channel Islands Japan Fund	1.16	+0.02	+13.1	+15.9	+18.3	£108m	John Gower	Japan	
Channel Islands Australia Fund	1.17	+0.02	+13.1	+15.9	+18.3	£112m	John Gower	Australia	
Channel Islands New Zealand Fund	1.18	+0.02	+13.1	+15.9	+18.3	£115m	John Gower	New Zealand	
Channel Islands South Africa Fund	1.19	+0.02	+13.1	+15.9	+18.3	£118m	John Gower	South Africa	
Channel Islands Latin America Fund	1.20	+0.02	+13.1	+15.9	+18.3	£120m	John Gower	Latin America	
Channel Islands Middle East Fund	1.21	+0.02	+13.1	+15.9	+18.3	£122m	John Gower	Middle East	
Channel Islands Russia Fund	1.22	+0.02	+13.1	+15.9	+18.3	£125m	John Gower	Russia	
Channel Islands China Fund	1.23	+0.02	+13.1	+15.9	+18.3	£128m	John Gower	China	
Channel Islands India Fund	1.24	+0.02	+13.1	+15.9	+18.3	£130m	John Gower	India	
Channel Islands Brazil Fund	1.25	+0.02	+13.1	+15.9	+18.3	£132m	John Gower	Brazil	
Channel Islands Korea Fund	1.26	+0.02	+13.1	+15.9	+18.3	£135m	John Gower	Korea	
Channel Islands Taiwan Fund	1.27	+0.02	+13.1	+15.9	+18.3	£138m	John Gower	Taiwan	
Channel Islands Hong Kong Fund	1.28	+0.02	+13.1	+15.9	+18.3	£140m	John Gower	Hong Kong	
Channel Islands Singapore Fund	1.29	+0.02	+13.1	+15.9	+18.3	£142m	John Gower	Singapore	
Channel Islands Malaysia Fund	1.30	+0.02	+13.1	+15.9	+18.3	£145m	John Gower	Malaysia	
Channel Islands Thailand Fund	1.31	+0.02	+13.1	+15.9	+18.3	£148m	John Gower	Thailand	
Channel Islands Philippines Fund	1.32	+0.02	+13.1	+15.9	+18.3	£150m	John Gower	Philippines	
Channel Islands Indonesia Fund	1.33	+0.02	+13.1	+15.9	+18.3	£152m	John Gower	Indonesia	
Channel Islands Vietnam Fund	1.34	+0.02	+13.1	+15.9	+18.3	£155m	John Gower	Vietnam	
Channel Islands Cambodia Fund	1.35	+0.02	+13.1	+15.9	+18.3	£158m	John Gower	Cambodia	
Channel Islands Laos Fund	1.36	+0.02	+13.1	+15.9	+18.3	£160m	John Gower	Laos	
Channel Islands Myanmar Fund	1.37	+0.02	+13.1	+15.9	+18.3	£162m	John Gower	Myanmar	
Channel Islands Sri Lanka Fund	1.38	+0.02	+13.1	+15.9	+18.3	£165m	John Gower	Sri Lanka	
Channel Islands Bangladesh Fund	1.39	+0.02	+13.1	+15.9	+18.3	£168m	John Gower	Bangladesh	
Channel Islands Pakistan Fund	1.40	+0.02	+13.1	+15.9	+18.3	£170m	John Gower	Pakistan	
Channel Islands Afghanistan Fund	1.41	+0.02	+13.1	+15.9	+18.3	£172m	John Gower	Afghanistan	
Channel Islands Uzbekistan Fund	1.42	+0.02	+13.1	+15.9	+18.3	£175m	John Gower	Uzbekistan	
Channel Islands Kazakhstan Fund	1.43	+0.02	+13.1	+15.9	+18.3	£178m	John Gower	Kazakhstan	
Channel Islands Kyrgyzstan Fund	1.44	+0.02	+13.1	+15.9	+18.3	£180m	John Gower	Kyrgyzstan	
Channel Islands Tajikistan Fund	1.45	+0.02	+13.1	+15.9	+18.3	£182m	John Gower	Tajikistan	
Channel Islands Turkmenistan Fund	1.46	+0.02	+13.1	+15.9	+18.3	£185m	John Gower	Turkmenistan	
Channel Islands Georgia Fund	1.47	+0.02	+13.1	+15.9	+18.3	£188m	John Gower	Georgia	
Channel Islands Armenia Fund	1.48	+0.02	+13.1	+15.9	+18.3	£190m	John Gower	Armenia	
Channel Islands Azerbaijan Fund	1.49	+0.02	+13.1	+15.9	+18.3	£192m	John Gower	Azerbaijan	
Channel Islands Turkey Fund	1.50	+0.02	+13.1	+15.9	+18.3	£195m	John Gower	Turkey	
Channel Islands Greece Fund	1.51	+0.02	+13.1	+15.9	+18.3	£198m	John Gower	Greece	
Channel Islands Italy Fund	1.52	+0.02	+13.1	+15.9	+18.3	£200m	John Gower	Italy	
Channel Islands France Fund	1.53	+0.02	+13.1	+15.9	+18.3	£202m	John Gower	France	
Channel Islands Germany Fund	1.54	+0.02	+13.1	+15.9	+18.3	£205m	John Gower	Germany	
Channel Islands UK Fund	1.55	+0.02	+13.1	+15.9	+18.3	£208m	John Gower	UK	
Channel Islands Ireland Fund	1.56	+0.02	+13.1	+15.9	+18.3	£210m	John Gower	Ireland	
Channel Islands Netherlands Fund	1.57	+0.02	+13.1	+15.9	+18.3	£212m	John Gower	Netherlands	
Channel Islands Belgium Fund	1.58	+0.02	+13.1	+15.9	+18.3	£215m	John Gower	Belgium	
Channel Islands Luxembourg Fund	1.59	+0.02	+13.1	+15.9	+18.3	£218m	John Gower	Luxembourg	
Channel Islands Switzerland Fund	1.60	+0.02	+13.1	+15.9	+18.3	£220m	John Gower	Switzerland	
Channel Islands Austria Fund	1.61	+0.02	+13.1	+15.9	+18.3	£222m	John Gower	Austria	
Channel Islands Hungary Fund	1.62	+0.02	+13.1	+15.9	+18.3	£225m	John Gower	Hungary	
Channel Islands Czech Republic Fund	1.63	+0.02	+13.1	+15.9	+18.3	£228m	John Gower	Czech Republic	
Channel Islands Slovakia Fund	1.64	+0.02	+13.1	+15.9	+18.3	£230m	John Gower	Slovakia	
Channel Islands Poland Fund	1.65	+0.02	+13.1	+15.9	+18.3	£232m	John Gower	Poland	
Channel Islands Czechia Fund	1.66	+0.02	+13.1	+15.9	+18.3	£235m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.67	+0.02	+13.1	+15.9	+18.3	£238m	John Gower	Slovakia	
Channel Islands Poland Fund	1.68	+0.02	+13.1	+15.9	+18.3	£240m	John Gower	Poland	
Channel Islands Czechia Fund	1.69	+0.02	+13.1	+15.9	+18.3	£242m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.70	+0.02	+13.1	+15.9	+18.3	£245m	John Gower	Slovakia	
Channel Islands Poland Fund	1.71	+0.02	+13.1	+15.9	+18.3	£248m	John Gower	Poland	
Channel Islands Czechia Fund	1.72	+0.02	+13.1	+15.9	+18.3	£250m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.73	+0.02	+13.1	+15.9	+18.3	£252m	John Gower	Slovakia	
Channel Islands Poland Fund	1.74	+0.02	+13.1	+15.9	+18.3	£255m	John Gower	Poland	
Channel Islands Czechia Fund	1.75	+0.02	+13.1	+15.9	+18.3	£258m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.76	+0.02	+13.1	+15.9	+18.3	£260m	John Gower	Slovakia	
Channel Islands Poland Fund	1.77	+0.02	+13.1	+15.9	+18.3	£262m	John Gower	Poland	
Channel Islands Czechia Fund	1.78	+0.02	+13.1	+15.9	+18.3	£265m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.79	+0.02	+13.1	+15.9	+18.3	£268m	John Gower	Slovakia	
Channel Islands Poland Fund	1.80	+0.02	+13.1	+15.9	+18.3	£270m	John Gower	Poland	
Channel Islands Czechia Fund	1.81	+0.02	+13.1	+15.9	+18.3	£272m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.82	+0.02	+13.1	+15.9	+18.3	£275m	John Gower	Slovakia	
Channel Islands Poland Fund	1.83	+0.02	+13.1	+15.9	+18.3	£278m	John Gower	Poland	
Channel Islands Czechia Fund	1.84	+0.02	+13.1	+15.9	+18.3	£280m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.85	+0.02	+13.1	+15.9	+18.3	£282m	John Gower	Slovakia	
Channel Islands Poland Fund	1.86	+0.02	+13.1	+15.9	+18.3	£285m	John Gower	Poland	
Channel Islands Czechia Fund	1.87	+0.02	+13.1	+15.9	+18.3	£288m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.88	+0.02	+13.1	+15.9	+18.3	£290m	John Gower	Slovakia	
Channel Islands Poland Fund	1.89	+0.02	+13.1	+15.9	+18.3	£292m	John Gower	Poland	
Channel Islands Czechia Fund	1.90	+0.02	+13.1	+15.9	+18.3	£295m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.91	+0.02	+13.1	+15.9	+18.3	£298m	John Gower	Slovakia	
Channel Islands Poland Fund	1.92	+0.02	+13.1	+15.9	+18.3	£300m	John Gower	Poland	
Channel Islands Czechia Fund	1.93	+0.02	+13.1	+15.9	+18.3	£302m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.94	+0.02	+13.1	+15.9	+18.3	£305m	John Gower	Slovakia	
Channel Islands Poland Fund	1.95	+0.02	+13.1	+15.9	+18.3	£308m	John Gower	Poland	
Channel Islands Czechia Fund	1.96	+0.02	+13.1	+15.9	+18.3	£310m	John Gower	Czechia	
Channel Islands Slovakia Fund	1.97	+0.02	+13.1						

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Figures fail to hold D-Mark

Dealers called a halt to Monday's profit-taking against the D-Mark yesterday, pushing the German currency back up against the dollar and most European currencies, writes James Blitz.

Few had interpreted Monday's sharp fall in the value of the D-Mark as anything more than position squaring after a sustained rise. Yesterday, the German currency's power was reasserted. It gained $\frac{1}{2}$ pence against the dollar, to close at DM1.6085.

The D-Mark's rise came despite US data which might have suggested that the Federal Reserve was leaning towards a tightening of policy.

In particular, US consumer price inflation rose 0.3 per cent in August against expectations of 0.1 per cent.

The story of D-Mark strength dominated an otherwise unsteady European session. The D-Mark was stronger against the French franc, closing at FF3.487 from a previous FF3.482. This was despite reduced optimism in French money markets about lower rates.

Sterling closed unchanged at DM2.4650. Money market dealers increasingly assume that there will be no cut in sterling

base rates before the end of this year. But the pound may have been hindered yesterday by slightly disappointing manufacturing output figures.

The yen was stronger at the start of trading amid signs that Japanese life insurance companies were selling huge quantities of Australian dollars for Japan's currency.

The selling pushed the Australian currency down to a new all-time low against the trade-weighted index. But the yen's strength did not last long. The currency weakened against the dollar in Europe as dealers braced themselves for tomorrow's announcement of a fiscal stimulus package by the Japanese authorities.

The dollar closed at Y105.80 from a previous Y106.25. Mr Steve Hannah, chief economist at IBI International in London, said that currency dealers would be looking for a number of key pointers in the Japanese package.

Tomorrow's announcements will be a milestone in the medium term outlook for the yen. The recent sharp downturn in the yen has been predicated on the belief that Japan will offer something concrete to President Clinton in Washington next week.

EMS NATIONAL CURRENCY UNIT RATES

Currency	Unit	1992	1993	% Change	% Spread	Divergence
Dutch Guilder	1.93627	2.15498	-1.09	7.59	-	-
D-Mark	1.93627	2.15498	-1.09	7.59	-	-
Belgian franc	1.93627	2.15498	-1.09	7.59	-	-
French franc	1.93627	2.15498	-1.09	7.59	-	-
Italian Lira	1.93627	2.15498	-1.09	7.59	-	-
Spanish Peseta	1.93627	2.15498	-1.09	7.59	-	-
Portuguese Escudo	1.93627	2.15498	-1.09	7.59	-	-
Irish Punt	1.93627	2.15498	-1.09	7.59	-	-
British Pound	1.93627	2.15498	-1.09	7.59	-	-

£ IN NEW YORK

Spot	15 Sept	14 Sept	13 Sept
£100/\$	1.5455-1.5473	1.5455-1.5465	1.5455-1.5465
1 month	0.29-0.2925	0.29-0.2925	0.29-0.2925
3 months	0.29-0.2925	0.29-0.2925	0.29-0.2925
6 months	0.29-0.2925	0.29-0.2925	0.29-0.2925
12 months	0.29-0.2925	0.29-0.2925	0.29-0.2925

Forward premium and discount rates to the US dollar

STERLING INDEX

Index	15 Sept	14 Sept	13 Sept
£100/\$	1.5455-1.5473	1.5455-1.5465	1.5455-1.5465
1 month	0.29-0.2925	0.29-0.2925	0.29-0.2925
3 months	0.29-0.2925	0.29-0.2925	0.29-0.2925
6 months	0.29-0.2925	0.29-0.2925	0.29-0.2925
12 months	0.29-0.2925	0.29-0.2925	0.29-0.2925

Forward premium and discount rates to the US dollar

CURRENCY RATES

Currency	15 Sept	14 Sept	13 Sept
£100/\$	1.5455-1.5473	1.5455-1.5465	1.5455-1.5465
1 month	0.29-0.2925	0.29-0.2925	0.29-0.2925
3 months	0.29-0.2925	0.29-0.2925	0.29-0.2925
6 months	0.29-0.2925	0.29-0.2925	0.29-0.2925
12 months	0.29-0.2925	0.29-0.2925	0.29-0.2925

Forward premium and discount rates to the US dollar

CURRENCY MOVEMENTS

Currency	15 Sept	14 Sept	13 Sept
£100/\$	1.5455-1.5473	1.5455-1.5465	1.5455-1.5465
1 month	0.29-0.2925	0.29-0.2925	0.29-0.2925
3 months	0.29-0.2925	0.29-0.2925	0.29-0.2925
6 months	0.29-0.2925	0.29-0.2925	0.29-0.2925
12 months	0.29-0.2925	0.29-0.2925	0.29-0.2925

Forward premium and discount rates to the US dollar

OTHER CURRENCIES

Currency	15 Sept	14 Sept	13 Sept
£100/\$	1.5455-1.5473	1.5455-1.5465	1.5455-1.5465
1 month	0.29-0.2925	0.29-0.2925	0.29-0.2925
3 months	0.29-0.2925	0.29-0.2925	0.29-0.2925
6 months	0.29-0.2925	0.29-0.2925	0.29-0.2925
12 months	0.29-0.2925	0.29-0.2925	0.29-0.2925

Forward premium and discount rates to the US dollar

Forward premium and discount rates to the US dollar

Forward premium and discount rates to the US dollar

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Forward premium and discount rates to the US dollar

FINANCIAL FUTURES AND OPTIONS

LIFE LONG ONLY FUTURES OPTIONS

Strike	Call-settlements		Put-settlements		Strike	Call-settlements		Put-settlements	
	Dec	Mar	Dec	Mar		Dec	Mar	Dec	Mar
111	3.04	3.21	0.48	1.47	9900	0.57	0.94	0.02	
112	2.26	2.48	0.06	2.11	9225	0.35	0.71	0.03	
113	1.51	2.17	1.31	2.43	8650	0.17	0.50	0.12	
114	0.76	1.52	2.32	3.16	8075	0.06	0.28	0.28	
115	0.60	1.30	2.40	3.58	7500	0.02	0.18	0.47	
116	0.41	1.10	3.21	4.48	6925	0.01	0.09	0.95	
117	0.27	0.87	4.07	5.18	6350	0	0.03	0.95	
118	0.17	0.74	4.41	5.38	5775	0	0.01	0.97	
Estimated volume total, Calls 5540 Puts 2495					Estimated volume total, Calls 6 Puts 0				
Estimated volume total, Calls 23768 Puts 2668					Estimated volume total, Calls 999 Puts 199				

[illegible]**CANADA**

Sales	Stock	High	Low	Close Day	Sales	Stock	High	Low	Close Day	Sales	Stock	High	Low	Close Day	Sales	Stock	High	Low	Close Day
12128	Danison A	25	25	25	11270	Macdonald	95	95	95	12000	Scotiabank	\$10	10	10	11800	Seagram Co	\$25	24 1/2	24 1/2
400	Danison B	16	16	16	7152	Lamson Mfg	80 1/4	80 1/4	80 1/4	1700	Scott's Inc	\$16 1/2	15 1/2	15 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
33227	Danison C	16 1/2	16 1/2	16 1/2	31005	Lithium	8 1/4	8 1/4	8 1/4	18000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
26518	Danison Tel	10 1/2	10 1/2	10 1/2	12570	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
9433	Danison Tel	10 1/2	10 1/2	10 1/2	30746	Macdonald	95	95	95	2500	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Dan Port A	6 1/2	6 1/2	6 1/2	20700	Macdonald	95	95	95	1000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
79840	Dan Port B	36 1/2	6 1/2	6 1/2	20347	Macdonald	95	95	95	1000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
414385	Edco Mfg B	\$12 1/2	12 1/2	12 1/2	12585	Macdonald	95	95	95	1000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
11000	Edco Mfg C	\$14 1/2	14 1/2	14 1/2	14739	Macdonald	95	95	95	24130	Shawmut	\$14 1/2	14 1/2	14 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
47204	Edco Mfg D	\$24 1/2	24 1/2	24 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
700	FPI Ltd	345	345	345	104127	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
30175	Feldman	\$10	9 1/2	9 1/2	11542	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
12500	Feldman B	\$11 1/2	11 1/2	11 1/2	95002	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
2500	Feldman C	\$12 1/2	12 1/2	12 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
40671	Feldman D	\$11 1/2	11 1/2	11 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
10300	Genstar A	\$19	19	19	130185	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
144447	Genstar B	\$20 1/2	20 1/2	20 1/2	12780	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
3010	Genstar C	\$21 1/2	21 1/2	21 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
41000	Genstar D	\$12 1/2	12 1/2	12 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
18000	Genstar E	\$22 1/2	22 1/2	22 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
300	Genstar F	\$16 1/2	16 1/2	16 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
8100	Genstar G	\$40	40	40	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Genstar H	\$5 1/2	5 1/2	5 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
31685	Genstar I	\$12 1/2	12 1/2	12 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
18000	Genstar J	\$13 1/2	13 1/2	13 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
3000	Hollinger	\$13 1/2	13 1/2	13 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
144700	Howe	\$16 1/2	16 1/2	16 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
2000	Howe	\$16 1/2	16 1/2	16 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
210	Hutchinson	\$40	40	40	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
30002	Hutchinson	\$37 1/2	37 1/2	37 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
12999	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
2000	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
20400	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9 1/2
200	Imperial	\$25 1/2	25 1/2	25 1/2	10000	Macdonald	95	95	95	10000	Shawmut	\$10	9 1/2	9 1/2	1000	Shawmut	\$10	9 1/2	9

INDICES

[illegible]**STANDARD AND POOR'S**

Equities	692.08	701.67	457.50	439.65	463.38	429.05	463.38	4.40	FRANCE																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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Inducted Dye Yield	2.81

	Step 6	Step 1	Aug 25	year ago (approx.)
1964 (1964)	2497.76	2140.11	2077.80	2025.50
1965 (1965)	1186.75	1044.51	1044.51	1044.51
2nd Series (1968)	2297.08	2201.49	2201.49	2201.49
Malaysia				
NSE Composite (1968)	617.78	620.36	620.74	633.05
1961-62 (1961)				651.45 (1961)
1962-63 (1962)				614.28 (1962)
NETHERLANDS				
126 10-Ruins 1850	375.1	374.3	370.0	370.7
1963-64 (1963)				365.30 (1963)
1964-65 (1964)				365.70 (1964)
NEW YORK ACTIVE STOCKS				
TRADING ACTIVITY				
1964 (1964)	2497.76	2140.11	2077.80	2025.50
1965 (1965)	1186.75	1044.51	1044.51	1044.51
2nd Series (1968)	2297.08	2201.49	2201.49	2201.49
Malaysia				
NSE Composite (1968)	617.78	620.36	620.74	633.05
1961-62 (1961)				651.45 (1961)
1962-63 (1962)				614.28 (1962)
NETHERLANDS				
126 10-Ruins 1850	375.1	374.3	370.0	370.7
1963-64 (1963)				365.30 (1963)
1964-65 (1964)				365.70 (1964)
NEW YORK ACTIVE STOCKS				
TRADING ACTIVITY				
1964 (1964)	2497.76	2140.11	2077.80	2025.50
1965 (1965)	1186.75	1044.51	1044.51	1044.51
2nd Series (1968)	2297.08	2201.49	2201.49	2201.49
Malaysia				
NSE Composite (1968)	617.78	620.36	620.74	633.05
1961-62 (1961)				651.45 (1961)
1962-63 (1962)				614.28 (1962)
NETHERLANDS				
126 10-Ruins 1850	375.1	374.3	370.0	370.7
1963-64 (1963)				365.30 (1963)
1964-65 (1964)				365.70 (1964)
NEW YORK ACTIVE STOCKS				
TRADING ACTIVITY				
1964 (1964)	2497.76	2140.11	2077.80	2025.50
1965 (1965)	1186.75	1044.51	1044.51	1044.51
2nd Series (1968)	2297.08	2201.49	2201.49	2201.49
Malaysia				
NSE Composite (1968)	617.78	620.36	620.74	633.05
1961-62 (1961)				651.45 (1961)
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1963-64 (1963)				365.30 (1963)
1964-65 (1964)				365.70 (1964)
NEW YORK ACTIVE STOCKS				
TRADING ACTIVITY				

Monday	traded	price	on
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[illegible]

CANADA

Commodity	1988				1989	1990	1991	1992	1993
	Sep		Sep						
	10	9	10	9					
Oil & Minerals	301.04	301.65	302.52	298.58	514.80 (190)	274.51 (21)			
Metals	391.01	401.59	400.32	392.27	514.80 (190)	274.51 (21)			
Grains	184.52	185.53	183.63	187.79	183.55 (19)	172.97 (21)			
Other									
Oil & Minerals	301.04	301.65	302.52	298.58	514.80 (190)	274.51 (21)			
Metals	391.01	401.59	400.32	392.27	514.80 (190)	274.51 (21)			
Grains	184.52	185.53	183.63	187.79	183.55 (19)	172.97 (21)			
Other									

Source: U.S. Department of Commerce, Bureau of Economic Analysis. All figures are in millions of U.S. dollars unless otherwise noted. Data for 1990 and 1991 are preliminary.

Base values of all indices are 100 except: Autos (Traded, MEX20, HEX Gen., MEX Gen., CACAR, Euro Top-100, SED Crystal are 100X - 1000X)

TOKYO - Most Active S

Tuesday, September 14, 1993							
	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkei 225	8.5m	27	+3	Mund	3.1m	1,990	+30
Nippon Steel	7.0m	248	+1	Mitsubishi Motor	3.0m	85	+5
NEC Corp	4.8m	88	-10	Nitko Kyodo Co.	2.7m	601	-9
Massachusetts F. Inv.	3.4m	1,470	-17	NRK Corp	2.7m	285	-4
Mitsubishi Bank	3.4m	89	-10	Nomura Securities	2.7m	1,110	+20

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Denmark	DKK 3,150	Greece**	DR 22,800	Norway	NOK 2,800	Switzerland	SFR 680
Finland	Fmk 1,980	Ireland	IrT 360,000	Portugal	ESC 57,000	Turkey	TL 1,850,000

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AMERICA

Retail sales data fail to provide lift for Dow

Wall Street

DISAPPOINTING news on inflation and a weak bond market pushed share prices on Wall Street sharply lower, as stronger-than-expected retail sales figures failed to impress equity traders, writes Frank McGurty in New York.

At 1pm, the Dow Jones Industrial Average was down 22.91 at 3,611.29. The more broadly based Standard & Poor's 500 was 3.15 lower at 458.91, while the Amex composite was off 2.55 at 451.75, and the Nasdaq composite fell 8.90 to 731.72. Trading volume on the NYSE was 145m shares by 1pm.

Stocks opened moderately lower in reaction to an early sell-off in the Treasury bond market. The bearish mood was triggered by the release of August's consumer price index, which showed a 0.3 per cent rise in retail prices last month. Analysts had expected a 0.1 per cent uptick.

A surprising 0.6 decline in the August producer price index, released last Friday, had

served to heighten expectations of moderating inflation on the retail level as well.

As the morning progressed, share prices slipped further. Traders took little comfort in August retail sales figures, which showed a 0.2 per cent gain, compared with forecasts of a slight drop. Indications of growing consumption - and a more buoyant economy - were mitigated by an upward revision in the July figure, to 0.3 per cent, suggesting a declining trend.

AMR, parent of American Airlines, fell 3% to \$63.75 after announcing 5,000 job cuts by the end of 1994. Other US airlines, which on Monday cut fares by up to 45 per cent on domestic flights, also lost ground. UAL, operator of United Airlines, shed 2% to \$143.75, while Delta slipped 1% to \$52.75.

Viacom, which this week agreed to acquire Paramount Communications in a cash-and-stock transaction now valued at \$7.9bn, slumped on a report that heavy buying by Viacom's chairman had helped boost its share price in the weeks before

the announcement. On the Amex, Viacom's class-A shares shed 3% to \$61, while its class-B non-voting shares were down 2% at \$54. Paramount was trading at \$62, down 2%.

After a big sell-off late on Monday, Compaq Computer regained value early in the session as the company sought to play down its announcement of flat personal computer shipments in the second half. By midday, however, shares were down an additional 1% at \$55.4. Home Depot dropped 3% to \$37.75 after Goldman Sachs removed it from its recommended list.

Canada

TORONTO fell slightly at midday as a generally negative market overseas kept gains in recovering oil issues.

The TSX-300 composite index edged down 2.43 to 3,969.29 at noon in turnover of C\$320.51m. Declining issues led advances 309 to 227, with 232 unchanged. The market's negative tone was attributed partly to a weaker bond market and declines in US stocks.

EUROPE

Zurich returns to work in positive mood

A stronger dollar helped some of the bourses yesterday, writes Our Market Staff.

ZURICH returned to work after Monday's local holiday in unexpectedly positive mood. The SMI index rose 22.7 to 2,388.3 with Soffier related position squaring helping.

Mr Best Alpiger of Bank Julius Baer in Zurich commented that signs had begun to emerge last week that the market was bottoming out.

However, yesterday's trend had been unexpectedly positive since the overall environment had not changed. He had expected a further consolidation but instead, he thought that the market was now beginning to build hopes that the Swiss National Bank would follow Germany's lead and reduce interest rates.

Among banks, UBS added SF29 to SF11.40 and SBC added SF11 to SF14.50, and in pharmaceuticals, Roche certificates put on SF10.50 to SF10.82. Swissair slipped 0.5% to SF7.30 in spite of announcing that negotiations were continuing on its planned merger with KLM, SAS and Austrian Airlines and that it was confident of a decision soon.

Ms Susanne Borer of Bank Vontobel in Zurich, com-

mented that such a link would provide a number of benefits for Swissair, including access to the European Economic Area, and further opportunities for rationalisation of services and cost cutting.

FRANKFURT managed an 8 point gain as investors remained generally inactive, partly on account of Friday's triple witching.

The DAX index closed at 1,880.57, after a high of 1,884 and a low of 1,876. Turnover was DM5.4bn. Mr Jochen Walblinger of BHF bank commented that the market was going through a consolidation phase at present and that it was possible that the next two weeks could see the index dropping further.

A number of factors remained on investors' minds, he said, including the macro economic picture. Data should be available later in the month, he noted, which would provide an indication as to the expected direction of the German economy. If the signals were that the recession had bottomed-out it was to be expected that buyers would come back into the market, he said, and that a range of cyclical would provide attraction, as well as some financials and

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES						
		Open	10.30	11.00	12.00	13.00	14.00	15.00 Close
September 14	Hourly changes							
FT-SE Eurotrack 100		1261.21	1262.33	1262.14	1263.11	1263.52	1262.98	1262.94
FT-SE Eurotrack 200		1353.70	1355.09	1356.09	1359.67	1360.86	1359.09	1357.51
		Sep 13 Sep 10 Sep 9 Sep 8 Sep 7						
FT-SE Eurotrack 100		1351.64	1263.72	1265.95	1266.53	1277.38		
FT-SE Eurotrack 200		1276.64	1355.04	1362.52	1363.08	1365.81		

Index values 1000 (25/10/92) 1000 - 1204.07, 2000 - 1363.40, 3000 - 1279.82, 4000 - 1365.01.

chemicals.

Among the day's movers, Preussag and Degussa both rose DM5 to DM41.1 and DM34.50 respectively.

PARIS moved in a narrow range before settling higher on the day. The CAC-40 index finished up 15.07 at 2,134.14, after a high of 2,141 and a low of 2,121. Turnover was FF3.1bn.

Eurotunnel maintained Monday's active trading, although there was an absence of news to explain the gains. Having seen a year's high of FF44.50, the shares slipped back in late trading to close 35 centimes higher at FF43.70.

Lafarge Coppée announced that it planned to raise FF2.5bn in cash and to offer a 1 for 10 share issue by the end of the year, and the shares put on FF7 to FF42.1, but off the day's high of FF42.7.

The news from Legrand, which announced its interim results, pleased market analysts and the shares gained FF2.05 to FF4.815.

AMSTERDAM was lifted by a stronger dollar as the CBS Tendency index added 0.9 to 125.2. Activity was seen in Akzo, up F1.40 to F1.72.20 and DSM, up F1.40 to F1.94.40 and Ahold, up F1.80 to F1.99.70.

MILAN was helped ahead by US fund buying and the firmer lira, with telecommunications issues and insurers among the beneficiaries. The Comit index added 8.59 or 1.4 per cent to 606.14, with prices underpinned by short-covering ahead of today's close of the monthly trading account.

FIAT's insurance unit Toro rose L1.576 or 5.2 per cent to L31.731, aided by speculation it

will soon be sold as part of Fiat's asset disposals. Alitalia added L622 to L20,958 and Generali was L638 higher at L40,444.

Trading in Ferruzzi began almost two hours late after no buyers could be found for 27m sell orders. Subsequently, the share again plunged L40.40 to L363, the fall matching 10 per cent declines seen in the two previous trading sessions.

San Paolo shed L521 or 4.2 per cent to L10,272 after details of its proposed merger with two subsidiaries, Banco Lariano and Banca Provinciale Lombarda, were announced on Monday night. Analysts noted that this had presented an arbitrage opportunity to short San Paolo and go long on Lariano as a way of buying into San Paolo at a discount.

STOCKHOLM saw profit-taking in Ericsson B shares leave the stock down SKr11 to SKr398, while Volvo B managed a SKr2 rise to SKr22. The Affarsvärlden general index rose 1.9 to 1,287.5.

MADRID rose at the close, pulled up by US quoted stocks and the general index added 3.33 to 288.63. Banesto recovered Ptas6 or 3.8 per cent to Ptas2,560 as one US broker upgraded the stock.

Manila enjoys benefit of renewed overseas interest

Jose Galang on the rally in Philippine equities

Philippine equities have been enjoying a rally recently as foreign investors have been active buyers of the market.

Although the composite index yesterday fell back slightly, closing at 1,954, the mood remains bullish. In the past week the index has set a succession of record highs, closing on Monday at 1,978.51.

A surge in turnover, to a daily average of 720m pesos last week, has also fortified support for historic highs for selected commercial-industrial counters. During the previous "mini-boom" in May, average turnover was 510m, average a day, which slowed down to some 450m in the succeeding months.

Analysts had been anticipating profit-taking in early September after the market reached record levels in late August. Since the index broke through the May peak on August 23, however, the advance has been sustained by strong buying support.

Observers had expected a slowdown in the rally to coincide with the return on September 7 of the body of Mr Ferdinand Marcos, the former Philippine president, ousted from office in 1986 and forced to flee to Hawaii, where he lived in exile until his death in 1989.

However, lean crowds turned up at the Marcos homecoming and funeral, which bolstered earlier assessments by government officials that the former dictator and his supporters were really "a spent force".

Analysts also cited the Philippine GNP figures reported late last week as a positive factor for shares. According to government data, GNP grew by 1.8 per cent in the first half, after remaining mainly stagnant since 1990.

Providing the most inspiration to the market's recent advance has been PLDT, which

has also been moving up in New York where it is listed as an ADR. Brokers say US investors have found the stock an attractive buy among the telecommunications groups traded on Wall Street.

Another active issue, beer and food giant San Miguel, has seen the "B" shares rise to 150 pesos, from 136 pesos in late August.

Analysts see the "excess liquidity" in the financial sys-

tem as a factor that could favour the market over the short term, even if a rise in interest rates soon could provide a dampener.

A reversal of the recent decline in Treasury bill rates, which had become the benchmark for commercial lending rates, has started diverting funds back into the money market, according to brokers. The government is rumoured to be planning a cut in the volume of T-bills being auctioned weekly. That, however, does not change the budgetary gap that the government will continue to contend with, and which it had filled in the past with huge borrowings through Treasury bill flotations.

The recent softness of the peso rate against the US dollar, which could continue in the next few weeks as industries

increase imports of raw materials ahead of the seasonal year-end rise in consumer purchases, has also lured investible funds away from equities, finance executives admit.

The peso has dropped by some 8 per cent since the beginning of the year, in spite of occasional central bank intervention in forex trading.

The Manila market has been trading at a price/earnings multiple of around 15 in recent weeks, which local brokers still view as a competitive level in the Asian context.

While economic growth for 1993 is now conceded to be slower than earlier targets, an improvement in the power situation is expected to provide a boost next year. Daily power outages have been shortened to about four hours (from six-to-eight hours three months ago) thanks to the commissioning of some of the so-called "fast-track" power plants built over the past 12 months.

A central bank survey early this year showed that optimism over prospects for the second half of this year ran high among industries based in metro Manila. Many of these industries, according to the survey, were also making expansion plans.

The stock market is also expected to gain from the projected link-up in the computerised trading operations of the two local exchanges. The interconnection will result in a "one-price market" for equities, as against different prices quoted at the two exchanges.

Market capitalisation is also expected to gain further towards the year-end with the expected new listing of at least five companies, along with an additional offering of 2.5bn pesos by Meralco, whose initial listing early last year was among the most successful locally.

ASIA PACIFIC

Nikkei slips back as institutions take profits

Tokyo

INSTITUTIONAL investors looking to realise profits on their holdings took advantage of the Nikkei average's jump on Monday, and the index closed below the 21,000 level, writes Emiko Terazono in Tokyo.

The 225-issue index, which closed above 21,000 for the first time in five trading days on Monday, shed 200.32 to 20,947.79 on active selling ahead of the mid-term settlements for *tokku*, or specified money trusts and fund trusts.

The Nikkei rose to the day's high of 21,171.72 shortly before the opening, and fell to the day's low of 20,944.68 in the afternoon session. The market saw support from public funds and foreign investors.

Volume totalled 300m shares, against 283m. Declines led advances by 721 to 285, with 179 issues unchanged. The Topix index of all first section stocks dipped 14.18 to 1,680.33, its first fall in three trading days. In London the ISE/Nikkei 50 index firmed 0.11 to 1,287.02. Market participants moved to adjust positions ahead of a public holiday today. Investors also remained cautious ahead of the state of economic indicators announced after the market closed.

Japan's August trade surplus rose 7.5 per cent, while the first-quarter GNP for the fiscal year to March fell 0.5 per cent. Machinery orders, however, cast some light on the gloomy outlook, as August private sector orders rose 6.8 per cent from the previous month.

Euphoria over the government's economic support package, to be announced tomorrow,

row, faded as many investors now expect the package to be centred around tax breaks for housing and education, which may not have a direct impact on the economy.

A fall in gold bullion prices depressed metal and mining issues. Sumitomo Metal Mining weakened Y26 to Y27 and Mitsubishi Material Y9 to Y49.1.

Large-capital issues, which gained ground on Monday, were lower on profit-taking. Nippon Steel eased Y1 to Y346 and NKK Y4 to Y285, while Mitsubishi Heavy Industries slipped Y10 to Y687.

Housing-related shares were among the gainers yesterday, on hopes of a rise in housing demand due to the government's move to ease housing taxes. Sanwa Shutter put on

Y50 at Y1,110 and Takara Standard firmed Y30 to Y1,490. In Osaka, the OSX average lost 34.58 to 22,968.97 in volume of 57.8m shares.

Roundup

MANY OF the Pacific Rim markets were under pressure. AUSTRALIA fell to its lowest level for almost a month, hit by tumbling gold prices and a lower local dollar. The All Ordinaries index sank 25.4 to 1,912.9, although turnover held up at A\$32m.

The golds market plunged 126.8, or 7 per cent, to 1,703.0, influenced by bullion's losses. North Flinders Mines tumbled 64 cents to A\$11.24. News Corp was a notable loser among industrial stocks,

sliding 20 cents to A\$10.58 on profit-taking.

NEW ZEALAND's consolidation continued, with forestry stocks still under pressure, and the NZSE-50 capital index ended 8.19 down at 1,963.22 in turnover of NZ\$50.2m.

The market was unmoved by Prime Minister Jim Bolger's announcement that the general election will be on November 6, or by the latest opinion poll, which gave the Labour party opposition a slight lead.

Brierley Investments ended steady at NZ\$1.22 in heavy trading that accounted for almost half the day's volume.

HONG KONG finished slightly lower after a day of slow and narrow trade amid cautious sentiment due to renewed Sino-British friction

over proposed political reforms. The Hang Seng index was 2.12 off at 7,473.85.

SEOUL was subject to aggressive institutional selling which put further pressure on the market in a day of sharply reduced trading volume, pulling the composite index back 5.38 to 695.37.

TAIWAN saw late bargain-hunting lift stocks off early lows, but turnover shrank with many investors sidelined on a lack of fresh news.

The weighted index closed 14.79 lower at 3,226.50.

BOMBAY saw a late rally triggered by foreign institutional buying in a trading session halved to one hour to enable settlement in cash shares. The BSE-30 index rose 18.44 to 2,807.64.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		MONDAY SEPTEMBER 13 1993										FRIDAY SEPTEMBER 10 1993										DOLLAR INDEX	
Figures in parentheses show number of times of stock		US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Yield	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)					
Australia (95)		142.03	+0.2	136.51	95.39	118.98	145.10	-0.2	3.54	141.79	135.71	95.23	117.80	145.38	148.84	117.38	133.13						
Austria (17)		178.58	+0.5	169.73	118.80	147.80	147.70	+1.1	1.31	175.87	169.13	117.86	146.94	146.16	141.43	131.16	167.03						
Belgium (42)		153.12	-0.3	147.18	102.83	128.25	128.15	+0.0	4.44	152.66	146.12	102.82	128.63	129.13	150.76	131.19	142.28						
Canada (107)		123.57	-0.6	118.77	82.99	103.49	117.76	-0.5	2.88	124.35	119.02	83.51	103.30	118.36	130.38	111.41	126.90						
Denmark (32)		230.54	-0.5	221.58	154.84	193.09	207.33	-0.3	1.08	231.73	221.79	155.64	192.22	207.33	232.42	185.11	207.81						
Finland (23)		110.93	-1.8	103.66	74.10	82.41	131.54	-1.5	0.80	112.53	107.51	75.45	93.32	133.61	118.56	101.03	55.59						
France (87)		170.23	+0.5	163.82	114.32	142.57	148.80	+0.5	3.08	169.48	162.19	113.80	140.77	149.12	170.50	142.72	163.75						
Germany (80)		126.41	-0.3	121.50	84.91	105.88	105.88	-0.5	1.89	126.79	121.38	85.17	106.34	106.34	126.77	101.59	116.56						
Hong Kong (60)		160.69	-1.6	155.16	189.28	249.50	294.85	-1.7	3.27	161.63	156.73	189.28	290.68	290.68	161.63	156.73	189.28						
Ireland (14)		172.81	-0.2	165.91	115.93	144.57	167.74	+0.0	3.34	172.94	165.93	115.15	143.68	167.71	173.08	128.29	148.98						
Italy (70)		76.97	+1.6	73.88	51.89	64.47	88.38	+1.5	1.85	75.74	72.50	50.87	82.92	87.06	78.93	53.78	56.38						
Japan (170)		158.42	+1.1	152.25	106.40	132.70	108.40	+1.1	0.78	155.67	149.85	105.22	130.18	105.22	155.91	100.70	111.52						
Malaysia (89)		402.10	+1.1	389.57	270.11	339.84	393.67	+1.	1.75	397.64	389.59	270.05	330.35	389.67	410.47	251.88	237.94						
Mexico (19)		1743.31	+0.7	1667.52	1172.19	1381.80	5937.48	-0.7	0.33	1756.82	1661.50	1178.92	1469.58	5937.56	1771.58	1400.10	1234.26						
New Zealand (15)		104.96	-0.4	102.17	68.17	78.47	124.77	-0.4	1.24	104.77	102.17	68.17	78.47	124.77	104.96	68.17	78.47						
Norway (22)		80.96	-0.8	58.31	40.74	50.61	55.53	-0.7	3.81	81.17	58.45	41.09	50.82	55.53	82.96	40.56	45.59						
Sweden (66)		175.78	+1.7	166.95	118.06	142.23	166.77	+1.8	1.68	172.67	165.45	116.10	143.82	169.89	177.31	137.71	147.16						
Switzerland (30)		259.00	+0.5	247.79	165.83	241.72	212.40	+0.4	1.82	257.47	247.79	165.83	241.72	212.40	259.00	165.83	241.72						
Taiwan (62)		178.88	+1.7	170.02	116.58	145.13	185.87	-0.7	3.77	180.48	172.18	120.81	149.44	190.09	215.29	144.72	189.88						
Thailand (33)		198.00	-1.0	133.96	92.34	116.47	134.75	-1.2	4.23	140.46	134.46	94.26	117.31	130.28	149.07	115.23	137.78						
United Kingdom (219)		191.48	+0.6	184.04	128.60	169.28	222.78	-0.8	1.61	189.88	181.74	127.53	157.75	220.29	183.68	146.70	171.92						
USA (202)		135.70	-0.8	132.70	89.15	104.41	124.41	-0.7	1.89	135.97	132.70	89.15	104.41	124.41	135.70	89.15	104.41						
West Germany (218)		190.15	-0.8	182.72	120.77	159.25	222.59	-0.4	3.90	191.70	183.48	128.74	159.25	223.49	190.15	120.77	182.00						
Yen (100)		158.82	+0.1	151.49	126.82	138.16	168.82	+0.1	2.71	168.65	158.95	126.70	136.73	168.65	158.82	126.82	137.38						
Australia (748)		158.49	+0.1	152.24	106.45	132.75	145.73	+0.1	3.10	159.06	152.24	106.83	132.15	145.86	159.18	105.99	135.92						
Canada (114)		180.90	+0.3	173.88	121.50	151.25	183.87	+0.4	1.34	180.44	172.70	121.18	149.81	181.54	180.90	121.50	151.25						
Denmark (742)		180.90	+0.3	173.88	121.50	151.25	183.87	+0.4	1.34	180.44	172.70	121.18	149.81	181.54	180.90	121.50	151.25						
France (174)		160.71	+0.4	154.47	107.93	134.80	162.97	+0.8	1.87	160.06	153.49	107.49	132.97	162.27	160.88	117.26	173.27						
Germany (827)		184.77	+0.1	177.60	124.11	154.74	184.01	+0.1	2.72	184.65	176.74	124.03	153.44	183.68	185.88	171.51	170.49						
Hong Kong (230)		160.69	-1.6	155.16	189.28	249.50	294.85	-1.7	3.27	161.63	156.73	189.28	290.68	290.68	161.63	156.73	189.28						
Italy (244)		202.50	+0.1	194.83	130.02	162.88	188.88	-0.5	3.01	203.32	194.04	130.67	163.83	189.91	205.61	152.70	175.20						
Japan (1649)		160.59	+0.3	154.35	107.86	134.54	142.86	+0.5	1.90	160.04	153.18	107.50	132.97	142.22	162.28	118.51	129.81						
Malaysia (108)		168.94	+0.4	160.48	112.13	139.81	128.91	+0.4	2.02	168.34	160.48	112.13	132.97	142.22	162.28	118.51	129.81						
New Zealand (2108)		104.96	-0.4	102.17	68.17	78.47	124.77	-0.4	1.24	104.77	102.17	68.17	78.47	124.77	104.96	68.17	78.47						
Sweden (1688)		176.54	-0.1	169.78	118.84	147.57	170.36	-0.4	2.85	176.88	169.30	118.81	146.08	170.70	177.11	117.47	180.50						
West Germany (2188)		168.90	+0.2	162.42	119.50	141.55	147.45	+0.4	2.20	169.57	161.34	113.22	140.06	146.94	170.42	137.32	142.93						